



**Botswana  
Meat  
Commission**  
Meat Perfection Defined



ANNUAL  
**CONSOLIDATED  
AND SEPARATE  
FINANCIAL  
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

# **BOTSWANA MEAT COMMISSION**

## **CORPORATE INFORMATION**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **GENERAL INFORMATION**

##### **Business operations:**

Botswana Meat Commission (the “Commission”) is a Parastatal and was established on the 24<sup>th</sup> of December 1965 by an Act of Parliament to promote the development of the Country’s livestock industry and the sale of beef and related products globally. The headquarters are in Lobatse, Botswana. The premises are an integrated complex housing; an abattoir and cannery, by – products, and tannery Plants. Besides owning three (3) abattoirs in Botswana, Botswana Meat Commission has cold storage facilities (subsidiary) in South Africa as well as marketing subsidiaries in the United Kingdom and South Africa.

##### **Registered office:**

Plot 621, 1 Khama Avenue, Lobatse, Botswana.

##### **Board of Directors:**

Mr. B. O. Mhutsiwa	Chairperson
Mr. M. Mokgosana	Member
Mr. G. Mosimaneotsile	Member
Ms. G. Gabaraane	Member (Resigned June 2022)
Mr. C. R. Lemcke	Member
Mr. M. Lenyatso	Member
Mr. B.P. Montle	Member
Ms. S. Winston	Member
Dr. J. Sento	Member
Mr. J. B. Akoonyatse	Member

##### **Executive Management:**

Mr. D. Tsheboeng	Chief Executive Officer (Appointed June 2022)
Mr. B. Dioka	Chief Operations Officer (Appointed June 2022)
Ms. K.M. Tibe	Chief Financial Officer (Appointed February 2023)
Mr. Ramotshwara	Chief Technical Advisor (Appointed August 2022)
Mr. R. Khumalo	Executive Manager, Human Capital (Appointed July 2022)
Mr. K. Makubate	Executive Manager, Livestock Procurement (Appointed June 2022)
Ms. O. Lepotlako	Executive Manager, Compliance (Acting)

##### **Board Secretary:**

Mr. O.O.M. Gaboutloeloe

**BOTSWANA MEAT COMMISSION**  
**CORPORATE INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**Independent Auditors:**

Ernst & Young  
P O Box 41015  
Gaborone  
Botswana

**Bankers:**

ABSA Bank Botswana Limited  
First National Bank of Botswana Limited  
Stanbic Bank Botswana Limited  
Standard Chartered Bank Botswana Limited  
Standard Bank South Africa Limited  
Standard Bank Plc London  
Nedbank South Africa Limited  
Access Bank Botswana Limited

# **BOTSWANA MEAT COMMISSION**

## **INDEX TO NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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# **BOTSWANA MEAT COMMISSION**

## **DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **Directors' Responsibility Statement**

The Directors' are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Botswana Meat Commission and its Subsidiaries (the Group and Commission) comprising the statements of financial position, the statements of profit or loss and other comprehensive income, statements of changes in reserves and statement of cash flows as at 31 December 2022, 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 Directors 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 Directors' 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 Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Directors 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 Directors to meet these responsibilities, the Board of Directors 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 endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems, and ethical behavior are applied and managed within predetermined procedures and constraints.

The Directors 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 Directors is primarily responsible for the financial affairs of the Group and Commission.

The Group and Commission reported a total loss for the year of BWP 105 million (2021: loss of BWP 116 million) and loss of BWP 102 million (2021: loss BWP 117 million), respectively. The total comprehensive income for the Group and Commission is BWP 539 million (2021: loss of BWP 112 million) and BWP 534 million (2021: Nil), respectively. The accumulated losses for the Group and Commission amount to BWP 1.5 billion (2021: BWP 1.4 billion) and BWP 1.5 billion (2021: BWP 1.5 billion), respectively. The going concern of the Group and Commission is dependent on the initiatives disclosed in note 28 of the financial statements.

# **BOTSWANA MEAT COMMISSION**

## **DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **Directors' Responsibility Statement (continued)**

The Government of Botswana, as the sole Shareholder, has committed to continue offering financial support to the Group and Commission into the foreseeable future, and the Directors believe that the going concern principle is an appropriate basis for preparation of the financial statements. The going concern was further assessed taking into consideration other economic factors that might not necessarily have a direct impact on operations.

### **Disclosure of Audit Information**

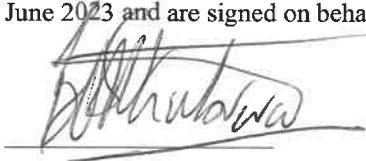
The internal controls are monitored throughout the Group and Commission and all employees are required to maintain the highest ethical standards in ensuring the Group and Commission's disclosure of audit information.

Each of the Directors as at the date of approval of this report confirms that:

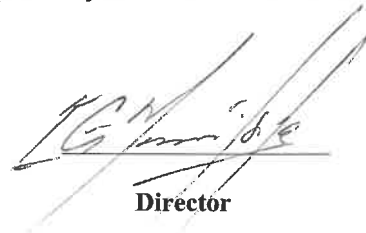
- i. In so far as the Director is aware, there is no relevant audit information of which the Commission's Auditor is unaware of; and
- ii. The Director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish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

### **Director's Approval of the Financial Statements**

The consolidated and separate financial statements set out on pages 10 to 104 which have been prepared on the going concern basis, were approved, and authorized for issue through a resolution passed by the Board of Directors on 26 June 2023 and are signed on behalf of the Group and Commission by:



**Director**



**Director**

## Independent Auditor's Report

*To the shareholder of Botswana Meat Commission*

### Report on the Audit of the Consolidated and Separate Financial Statements

#### **Opinion**

We have audited the consolidated and separate financial statements of Botswana Meat Commission ("the Commission" and its subsidiaries, "the Group") set out on pages 10 to 104 which comprise the consolidated and separate statements of financial position as at 31 December 2022, 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 2022, 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).

#### **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 Botswana Meat 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 (note 28) in the consolidated and separate financial statements, which indicate that the Group and Commission reported a total loss of BWP 105 million and BWP 102 million respectively for the year ended 31 December 2022 and had accumulated deficits of BWP 1.532 million and BWP 1.549 million respectively as at the reporting date. The Group and Commission are unable to secure sufficient volumes of supply to produce revenues to cover its costs and the Group and Commission are therefore dependent on the Government of Botswana for ongoing financial support. These conditions, along with other facts in the Going Concern note (note 28), indicate the existence of a material uncertainty that casts significant doubt on Botswana Meat 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.

Key Audit Matter	How the matter was addressed in the audit
<p><b>Valuation of Property, Plant and Equipment</b></p> <p>The Commission performed a valuation exercise during the current financial year in line with its accounting policy to measure land and buildings and plant and machinery at fair value.</p> <p>A fair value gain of P636,681 million to other comprehensive income and a reversal of impairment losses recognised in prior financial years through profit or loss of P34,693 million were recognised because of the valuation exercise performed.</p> <p>This resulted in the Group recognising property, plant and equipment of P823,337 million at the current reporting date compared to P155,970 million at the previous reporting date. The Commission recognised property, plant and equipment of P767,116 million at the current reporting date compared to P99,463 million at the previous reporting date.</p> <p>The Commission engaged an external specialist to determine the fair values of the Commission's land and buildings and plant and machinery.</p> <p>The fair values of land and buildings and plant and machinery were determined by reference to transactions involving assets and properties of a similar nature, location, and condition. This valuation method is supported by the discounted cash flow method which involves projecting income and expenditure for each cash generating unit for future years and discounting the projected cash flows at a discount rate to calculate the current fair value.</p> <p>Given the specialised nature of the Commission's buildings and plant and machinery, comparative deal and market transactions are not readily available. In addition, the discounted cash flow method involves forecasting the income and expenditure for each cash generating unit. These forecasts are subjective in nature and involve various input assumptions distinctive to each geographical location, nature, physical condition, age and land tenure of the respective assets.</p> <p>Changes in the above inputs and assumptions may significantly affect the valuation of these assets.</p> <p>We have identified the valuation of the property, plant and equipment to be a key audit matter due to the significance of property, plant and equipment to the Group and Commission's total assets, the judgements involved in determining the appropriate valuation method for the different classes of assets and the subjective inputs applied in the valuation methods.</p> <p>The disclosures associated with the valuation of property, plant and equipment is set out in the</p>	<p>Our audit procedures included, with the assistance from our internal specialists, amongst others the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the valuation processes and models used to determine the fair value of the Commission's land and buildings and plant and machinery through discussions with management and the external specialist engaged by the Commission.</li> <li>• We evaluated the external specialist's competence, capabilities and objectivity with reference to their qualifications and industry experience.</li> <li>• We assessed the appropriateness of the external specialist's valuation methodology and models used in valuing the different asset classes by comparing these to the valuation methodologies and models used for valuing similar asset classes operating in similar geographical areas, including a comparison to transactions involving assets and properties of a similar nature, location, and condition.</li> <li>• We evaluated the appropriateness of the input data and assumptions used by management in the preparation of the discounted cash flow models, including projected income and expenditure for each cash generating unit, by comparing these to the Commission's historical performance and approved budgets and forecasts.</li> <li>• We assessed the appropriateness of the discount rates used by comparing these rates to risk free rates, adjusted for market and other risks in the geographical locations of the cash generating units and to rates applied by other entities in the same industry and geographical areas.</li> <li>• We also assessed the adequacy of the disclosures included in the consolidated and separate financial statements relating to property, plant and equipment and the fair value thereof against the requirements of IAS 16 - Property, Plant and Equipment and IFRS 13 - Fair Value Measurement.</li> </ul>

consolidated and separate financial statements in the following notes:

- Note 2.3 c) Fair value measurement
- Note 2.3 i) Property, plant and equipment
- Note 3.2.1 Revaluation of property, plant and equipment and investment properties
- Note 3.2.2 Impairment of non-financial assets
- Note 11 Property, plant and equipment

### ***Other Information***

The Directors are responsible for the other information. The other information comprises the information included in the 104-page document titled “Botswana Meat Commission Annual Consolidated and Separate Financial Statements for the year ended 31 December 2022” which includes the Corporate Information, the Directors’ Responsibility Statement and the Directors’ Approval of the Financial Statements Statement, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. 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.

### ***Responsibilities of the Directors for the Consolidated and Separate Financial Statements***

The Directors 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) (as amended) and for such internal control as the Directors 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 Directors are responsible for assessing the Group and the Commission’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or Commission or to cease operations, or have no realistic alternative but to do so.

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

### ***Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements***

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 Group's and Commission'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 Group and/or Commission 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 Group and Commission's audit. We remain solely responsible for our audit opinion.

We communicate with the Directors 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.

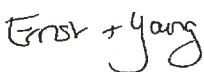
We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate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

From the matters communicated with the Directors, 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 section 17 of the Botswana Meat Commission Act (Chapter 74:04) (as amended). Instances of non-compliance are detailed in note 29 in the consolidated and separate financial statements.



Ernst & Young  
Firm of Certified Auditors  
Practising Member: Francois J Roos (CAP 0013 2023)

30 June 2023  
Gaborone

# BOTSWANA MEAT COMMISSION

## STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>NOTES</u>	<u>Consolidated</u>		<u>Commission</u>	
		<b>2022</b> <b>P'000</b>	<b>2021</b> <b>P'000</b>	<b>2022</b> <b>P'000</b>	<b>2021</b> <b>P'000</b>
Revenue	4	376,336	206,585	365,371	191,926
Cost of sales*	6	(337,101)	(203,669)	(336,878)	(203,389)
<b>GROSS PROFIT / (LOSS)</b>		<b>39,236</b>	<b>2,916</b>	<b>28,493</b>	<b>(11,463)</b>
Administration costs*	8.2	(110,740)	(117,000)	(99,113)	(99,140)
Selling and distribution expenses		(32,260)	(30,138)	(23,137)	(6,656)
Impairment reversed/ Charged for trade and other receivables	16	3,202	(2,296)	1,636	(19,557)
Government subvention		23,520	30,232	23,520	30,232
<b>OPERATING LOSS</b>		<b>(77,043)</b>	<b>(116,286)</b>	<b>(68,601)</b>	<b>(106,584)</b>
Other costs	8.1	(13,508)	(112)	(12,028)	(3,457)
Other income	7	4,892	12,979	1,373	9,412
Finance costs	9	(19,824)	(13,634)	(23,210)	(16,876)
Finance income		10	304	10	119
<b>LOSS BEFORE TAXATION</b>		<b>(105,472)</b>	<b>(116,749)</b>	<b>(102,456)</b>	<b>(117,385)</b>
Taxation	10	3	755	-	-
<b>LOSS FOR THE YEAR</b>		<b>(105,469)</b>	<b>(115,994)</b>	<b>(102,456)</b>	<b>(117,385)</b>
<b>Other comprehensive income</b>					
Items that will not be reclassified subsequently to profit or loss (net of taxation):					
Revaluation of property, plant and equipment		636,681	-	636,681	
Items that will be reclassified subsequently to profit or loss (net of taxation):					
Foreign currency translation reserve		8,204	3,945	-	-
Other comprehensive income		<b>644,885</b>	<b>3,945</b>	<b>636,681</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>539,416</b>	<b>(112,048)</b>	<b>534,226</b>	<b>(117,385)</b>

\* The presentation of the financial statements was changed from the nature method to the function method as this was considered more appropriate considering the Commission's operations as a manufacturing entity. The gross profit generated from the Commission's manufacturing operations is considered to be a key performance indicator of the Commission's financial results. Further details are provided under Note 2.4(a) and 6 of the financial statements.

# BOTSWANA MEAT COMMISSION

## STATEMENTS OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>NOTES</u>	<u>Consolidated</u>		<u>Commission</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
		<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	823,337	155,970	767,116	99,463
Right of use assets	12	1,175	1,615	-	-
Investment property	13	5,310	5,310	-	-
Investments	14	10	10	7,484	7,484
		<b>829,832</b>	<b>162,905</b>	<b>774,600</b>	<b>106,947</b>
<b>Current assets</b>					
Inventories	15	107,962	31,911	107,877	31,879
Trade and other receivables	16	18,869	38,088	15,246	29,658
Prepayments		2,290	3,524	2,749	3,491
Amounts due from Group Companies	23.4	-	-	2,830	1,085
Cash and cash equivalents	17	17,607	23,213	4,529	2,135
		<b>146,728</b>	<b>96,736</b>	<b>133,231</b>	<b>68,248</b>
<b>TOTAL ASSETS</b>		<b>976,560</b>	<b>259,641</b>	<b>907,831</b>	<b>175,195</b>
<b>RESERVES AND LIABILITIES</b>					
<b>Reserves</b>					
Capital reserves		707,853	707,853	659,740	659,740
Loan redemption reserve		340,066	340,066	340,066	340,066
Development reserve		-	3,720	-	3,720
Stabilization reserve		-	390	-	390
Foreign currency translation reserve		15,974	7,770	-	-
Foreign exchange stabilization reserve		19,294	19,294	-	-
Asset revaluation reserve		817,905	181,224	759,804	123,123
Accumulated deficit		(1,532,384)	(1,431,026)	(1,549,016)	(1,450,671)
<b>Total (deficit) / reserves</b>		<b>368,708</b>	<b>(170,707)</b>	<b>210,594</b>	<b>(323,632)</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	19	210,942	-	210,942	-
Deferred Government Grant	19	195,998	-	195,998	-
Deferred tax liability	20	6,367	5,069	-	-
Lease liability	12	872	1,310	-	-
		<b>414,179</b>	<b>6,379</b>	<b>406,940</b>	<b>-</b>
<b>Current liabilities</b>					
Taxation payable	10.1	1,444	531	-	-
Lease liability	12	719	590	-	-
Trade and other payables	21	94,250	128,965	94,059	118,608
Amounts due to group companies	22.6	-	-	98,978	86,335
Bank overdrafts	18	21,489	19,516	21,489	19,516
Trade Finance	18.1	75,632	-	75,632	-
Borrowings	19	139	274,367	139	274,367
		<b>193,673</b>	<b>423,969</b>	<b>290,297</b>	<b>498,827</b>
<b>Total liabilities</b>		<b>607,852</b>	<b>430,348</b>	<b>697,237</b>	<b>498,827</b>
<b>TOTAL RESERVES AND LIABILITIES</b>		<b>976,560</b>	<b>259,641</b>	<b>907,831</b>	<b>175,195</b>

# BOTSWANA MEAT COMMISSION

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>Notes</u>	<u>Consolidated</u>		<u>Commission</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
		<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
<b>CASH FLOWS GENERATED IN OPERATING ACTIVITIES</b>					
Cash used in operations	24	(131,232)	(63,797)	(105,839)	(46,244)
Interest paid		(7,633)	(1,152)	(11,248)	(1,152)
Interest Paid (Lease Liability)	12	(228)	(301)	-	-
Taxation Received/ (Paid)	10.2	916	(486)	-	-
<b>Net cash (used) in operating activities</b>		<b>(138,177)</b>	<b>(65,737)</b>	<b>(117,087)</b>	<b>(47,397)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(3,366)	(458)	(3,254)	(349)
Proceeds on disposal of property, plant and equipment		3	535	3	535
Finance income		10	304	10	119
<b>Net cash (used) /generated in investing activities</b>		<b>(3,353)</b>	<b>381</b>	<b>(3,240)</b>	<b>305</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Borrowings repaid	25	(54)	-	(54)	-
Borrowings received	25	120,803	-	120,803	-
Payment of Lease Liability - Principal	12	(317)	(636)	-	-
<b>Net cash generated /(used) from financing activities</b>		<b>120,431</b>	<b>(636)</b>	<b>120,748</b>	<b>-</b>
Net (decrease) / increase in cash and cash equivalents		(21,099)	(65,992)	421	(47,092)
Net foreign exchange difference on cash and cash equivalents		13,521	15,573	-	-
Cash and cash equivalents at beginning of year		3,696	54,115	(17,382)	29,710
<b>Cash and cash equivalents at end of year</b>		<b>(3,882)</b>	<b>3,696</b>	<b>(16,960)</b>	<b>(17,382)</b>
Comprising:					
Cash and cash equivalents	17	17,607	23,213	4,529	2,135
Bank overdrafts	18	(21,489)	(19,516)	(21,489)	(19,516)
		<b>(3,882)</b>	<b>3,696</b>	<b>(16,960)</b>	<b>(17,382)</b>

# BOTSWANA MEAT COMMISSION

## STATEMENTS OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2022

<u>Consolidated</u>	Total P'000	Capital reserves P'000	Loan redemption reserve P'000	Development reserve P'000	Stabilization reserve P'000	Foreign Currency Translation Reserve P'000	Foreign exchange stabilization reserve P'000	Asset revaluation reserve P'000	Accumulated Surplus (deficit) P'000
<b>Balance at 1 January 2021</b>	(58,659)	707,853	340,066	3,681	390	3,825	19,294	181,224	(1,314,993)
(Loss) for the year	(115,994)	-	-	-	-	-	-	-	(115,994)
Foreign exchange effect	-	-	-	39	-	3,945	-	-	(39)
Transfers between reserves	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2021</b>	<b>(170,707)</b>	<b>707,853</b>	<b>340,066</b>	<b>3,720</b>	<b>390</b>	<b>7,770</b>	<b>19,294</b>	<b>181,224</b>	<b>(1,431,026)</b>
(Loss) for the year	(105,469)	-	-	-	-	-	-	-	(105,469)
Other comprehensive income *	636,681	-	-	-	-	-	-	636,681	-
Foreign exchange effect	8,204	-	-	-	-	8,204	-	-	-
Transfers between reserves	-	-	-	(3,720)	(390)	-	-	-	4,110
<b>Balance at 31 December 2022</b>	<b>368,708</b>	<b>707,853</b>	<b>340,066</b>	<b>-</b>	<b>-</b>	<b>15,974</b>	<b>19,294</b>	<b>817,905</b>	<b>(1,532,384)</b>
<u>Commission</u>	Total P'000	Capital reserves P'000	Loan redemption reserve P'000	Develop ment reserve P'000	Stabilization reserve P'000	Asset revaluation reserve P'000	Accumulated Surplus/(deficit) P'000		
<b>Balance at 1 January 2021</b>	(206,247)	659,740	340,066	3,681	390	123,123	(1,333,247)		
(Loss) for the year	(117,384)	-	-	-	-	-	(117,384)		
Transfers between reserves	-	-	-	39	-	-	(39)		
<b>Balance at 31 December 2021</b>	<b>(323,632)</b>	<b>659,740</b>	<b>340,066</b>	<b>3,720</b>	<b>390</b>	<b>123,123</b>	<b>(1,450,671)</b>		
(Loss) for the year	(102,455)	-	-	-	-	-	(102,455)		
Other comprehensive income *	636,681	-	-	-	-	636,681	-		
Transfers between reserves	-	-	-	(3,720)	(390)	-	4,110		
<b>Balance at 31 December 2022</b>	<b>210,595</b>	<b>659,740</b>	<b>340,066</b>	<b>-</b>	<b>-</b>	<b>759,804</b>	<b>(1,549,016)</b>		

\*The asset revaluation reserve should be considered with Note 11 which provides further details of the valuation exercise performed in the current year

# **BOTSWANA MEAT COMMISSION**

## **STATEMENTS OF CHANGES IN RESERVES (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **Capital Reserves**

Capital reserves represent amounts of grants and Shareholder loans that were issued for the upgrade and refurbishment of the three abattoirs being Lobatse, Francistown and Maun but subsequently converted into equity.

### **Loan Redemption Reserve**

This 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). In line with the provisions of the Act, Management has carried out an assessment in 2022 and resolved to make no appropriation to the reserve on account of reported losses.

### **Development Reserve**

In terms of the Botswana Meat Commission Act (Chapter 74:04) (as amended), the Commission shall appropriate amounts to the Development Reserve an amount not exceeding P2 for every head of cattle purchased and slaughtered during the year. The total accumulated reserves were accordingly utilized to mitigate the deficit that could not be totally met from the Stabilization Reserve as provided for in the Act.

### **Stabilization Reserve**

Stabilization Reserve shall, subject to the provisions of section 19 of the Botswana Meat Commission Act (Chapter 74:04) (as amended), not be used except to stabilize the price at which livestock are purchased by the Commission or for such other purposes as the Commission may from time to time determine with the approval of the Minister. In accordance with the provisions of the BMC Act, the reserve was fully utilized to stabilize the livestock prices and as at the end of the reporting period, the balance is nil.

### **Foreign Currency Translation Reserve**

Represents unrealized gains and losses on the translation of assets and liabilities arising on the consolidation of foreign subsidiaries.

### **Foreign Exchange Stabilization Reserve**

Represents amounts set aside by certain subsidiaries of the Commission, to be utilized for stabilization 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. The revaluation surplus is transferred to retained earnings upon the disposal of the related asset.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **1. Corporate Information**

The consolidated financial statements of Botswana Meat Commission and its subsidiaries (collectively, the Group) for the year ended 31 December 2022 were authorized for issue in accordance with a resolution of the Directors on 20<sup>th</sup> June 2023. Botswana Meat Commission (the Commission) is a Parastatal established through an Act of Parliament and domiciled in Botswana and Botswana Government is the sole shareholder. The registered office is located at Lobatse, Botswana. The Group is principally engaged in the development of the Country's livestock industry and the sale of beef and related products globally. Information on the Group's structure is provided in Note 5. Information on other related party relationships of the Group is provided in Note 23.

#### **2. Significant Accounting Policies**

##### **2.1. Basis of Preparation**

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated and separate financial statements are prepared under the historical cost convention except for investment properties, certain items (classified as property, plant, and equipment), and debt consideration that have been measured at fair value.

The consolidated and separate financial statements are presented in Pula and all values are rounded to the nearest thousand (P'000), except when otherwise indicated. The Group and Commission prepared the financial statements on the basis that it will continue to operate as a going concern.

The consolidated and separate financial statements provide comparative information in respect of the previous period. In addition, the Group has disclosed as part of the notes, that amounts in the prior period financial statements have been reclassified in comparative period(s) of the current period financial statements. The reclassification is due to the change in presentation of the statement of profit or loss and comprehensive income from the nature to the function method of presentation.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2. Significant Accounting Policies (continued)**

#### **2.2. Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Commission and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.3. Summary of significant Accounting Policies**

#### **a) Investments in Subsidiaries**

The Group controls and hence consolidates an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power exists where the Group has existing rights that give it the current ability to direct the relevant activities of the investee (the activities that significantly affect the entity's returns). This requirement applies to all entities, including entities with 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 acquisition method. The acquisition method requires:

- i) Identifying the acquirer
- ii) Determining the acquisition date, and
- iii) Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Subsidiaries are measured at cost at Commission level. The cost of acquisition is measured as the fair value of the net assets acquired and the amount of any non-controlling interest in the acquiree. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. Transaction costs are included in the operating expenses within the profit or loss when incurred.

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.

Related parties of the Group as defined include:

- i) Entities that have significant influence over the Group and subsidiaries of these entities.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.3. Summary of significant Accounting Policies (continued)**

#### **a) Investments in Subsidiaries (continued)**

- ii) Key management personnel (KMP) and close family members of key management personnel. Entities controlled or significantly influenced by KMP.
- iii) Key Management personnel are prescribed members of the Executive Management including those of any entities which provide key management personnel services to the Group.
- iv) Board of Directors of the Commission, Subsidiaries and Associates.

#### **b) Current versus non- current classification**

The Group and Commission presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- (i) Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- (ii) Held primarily for the purpose of trading.
- (iii) Expected to be realized within twelve months after the reporting period ; or
- (iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- (i) It is expected to be settled in the normal operating cycle.
- (ii) It is held primarily for the purpose of trading.
- (iii) It is due to be settled within twelve months after the reporting period: or
- (iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **b) Current versus non- current classification (continued)**

The Group and Commission classify all other liabilities as non-current.

Deferred tax liabilities are classified as non-current liabilities.

In the current year, the Group and Commission renegotiated the terms of the Government loans which resulted in a significant portion of borrowings classified as current liabilities on the previously reporting date to non- current liabilities reported at the current reporting date. More details on the new terms are disclosed under note 19.

##### **c) Fair value measurement**

The Group and Commission measure financial instruments and non-financial assets such as investment properties and property, plant, and machinery at fair value as at each balance sheet date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and Commission use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.3. Summary of significant accounting policies (continued)**

#### **c) Fair value measurement (continued)**

- (i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- (ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- (iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 and Commission measure several items at Fair Value: Investment Property and Property Plant and Machinery.

External valuers are involved for valuation of significant assets, such as investment properties and Property, plant and machinery.

#### **d) Revenue from contracts with customers**

The Group earns its revenue from selling meat and 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:**

- (i) Identify a contract with a customer.
- (ii) Identifying the performance obligations.
- (iii) Determining the transaction prices.
- (iv) Allocating the transaction price to the performance obligations; and
- (v) Recognising revenue when/as performance obligation(s) are satisfied.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **d) Revenue from contracts with customers (continued)**

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 Group and Commission satisfies performance obligations by transferring the promised goods or services to its customers.

- **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 transferred directly to the customer, without passing first through a subsidiary control transfer at the point in time the customer takes delivery of the goods.

- **Cold storage fees and shipping fees**

The Group'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 Group allocates the transaction price between the material right to store and ship as a performance obligation 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.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.3. Summary of significant accounting policies (continued)**

#### **e) 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.

Total Government grants received in 2022 amounted to P23.5 million to support the Maun Abattoir operational expenses while in 2021, Government grants received was P30.2 million, out of which Maun P17.6 million was for the Maun plant and the balance of P12.6 million was to provide financial support for the Lobatse plant operations.

#### **f) Taxes**

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

##### ***Current income 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.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **f) Taxes (continued)**

###### *Deferred tax (continued)*

###### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of 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 recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized 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 utilized.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **f) Taxes (continued)**

###### *Deferred tax (continued)*

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

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized 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 recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.4. Summary of significant accounting policies (continued)**

#### **f) Taxes (continued)**

##### *Value added tax (VAT)*

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### **g) Foreign currencies**

##### **(i) 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.

##### **(ii) Transactions and balances (continued)**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **g) Foreign currencies (continued)**

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI, or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense, or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **h) Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into Pula at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

##### **i) Property, Plant and Equipment**

Land and buildings comprise mainly commercial, offices and residential buildings. Land and buildings as well as Plant and Machinery are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation and impairments. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. The revaluation surplus is recorded in the OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses the revaluation deficit of the same asset previously recognized in the profit or loss, the increase is recognized in the profit or 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. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

The policy is to revalue land and buildings and plant and machinery every 3- 5 years. However, in order to avoid material variations in revalued amounts, Management assess the fair values on an annual basis. The revaluation surplus for 2022 is attributable to the five (5) years interval since the last valuation.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **i) Property, Plant and Equipment (continued)**

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognized 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. 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	25-40 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 least annually. If appropriate, adjustments are made and accounted for prospectively as a change in estimate. The Group considers the impact of health, safety, and environmental legislation in its assessment of expected useful lives and estimated residual values.

##### **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.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.3. Summary of significant accounting policies (continued)**

#### **i) Property, Plant and Equipment (continued)**

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 programs 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.

More details on the 2022 revaluation of the property, plant and equipment are provided as part of Note 11.2.

#### **j) 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.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **j) Leases (continued)**

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 to the 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. The renewal options will only be included in the lease term if these options are reasonably certain to be exercised.

##### **(i) 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.

##### **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.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **j) Leases (continued)**

###### **(ii) Right of use assets (continued)**

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 recognized in profit or loss unless it is included in the carrying amount of another asset.

###### **(iii) 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 recognized in profit or loss;

The Group re - measures 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.

# BOTSWANA MEAT COMMISSION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 2.3. Summary of significant accounting policies (continued)

#### i) Leases (continued)

- 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:
- 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.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **j) Leases (continued)**

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 an 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.

##### **k) Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings from the shareholder at off market rates are recognized at fair value. Any day 1 gain or loss is recognised as equity. Borrowings are classified as current liabilities unless the Group and Commission has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Borrowings are recognised initially at fair value, net of transaction costs incurred.

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.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.3. Summary of significant accounting policies (continued)**

#### **k) Borrowings (continued)**

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 the activities necessary to prepare that asset for intended use or sale are complete.

Borrowings from the shareholder at off market rates are recognized at fair value. Any day 1 gain or loss is recognized as equity.

#### **l) Investment Property**

The investment property, comprising a filling station, warehouse, workshop, and ancillary offices all located in the same place owned by a subsidiary of the Commission, is held for long-term rental yields, and is not occupied by the Group. These are located at Gaborone, Botswana Plot 21982 Block 10. The Investment Property is measured initially at cost plus transaction costs. The investment property is carried at fair value at the end of each reporting period. The fair value gain/loss is recognised in the statement of profit/Loss.

The fair value of the property is determined every year by an external qualified valuer contracted by the Group, and it covers the filling station, warehouse, workshop, and ancillary offices.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from 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.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **m) Financial Instruments**

###### **Classification**

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

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

###### **Initial recognition and measurement**

Financial instruments are recognized 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 categorized based on 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

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.3. Summary of significant accounting policies (continued)**

#### **m) Financial Instruments (continued)**

##### **Initial recognition and measurement (continued)**

- (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 financial assets to collect their contractual cashflows.

The contractual cash flow characteristics of financial assets are assessed with reference to whether 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.

##### **Subsequent measurement**

###### **Financial Assets**

Financial assets at amortized cost which comprise trade and other receivables, amounts due to group of companies and cash and cash equivalents are subsequently measured at amortized 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 amortized cost using the effective interest method, with interest expenses recognized on an effective yield basis.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.3. Summary of significant accounting policies (continued)**

#### **m) Financial Instruments (continued)**

##### **Derecognition of financial instruments**

The Group derecognizes 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.

##### **Impairment of financial assets**

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or have expired.

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 recognized.

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 receivables are written off when the Group cannot legally collect, and it's taken through the necessary Governance structures.

##### **Impairment of trade 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 87 and page 88. 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.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.3. Summary of significant accounting policies (continued)**

#### **m) Financial Instruments (continued)**

##### **Impairment of other receivables**

The Group and Commission has applied the general approach in measuring the expected credit loss based on historic loss rates and forward-looking information. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

#### **n) Inventories**

##### **Finished goods**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the following basis:

- (i) Meat stocks are valued at average cost of production for the year.
- (ii) Deboned and processed meat stocks are valued at meat stock costs plus production and processing overheads; and
- (iii) By-products are valued at average cost of production for the year.

Net realisable value represents the estimated selling price applicable in the ordinary course of the business less applicable variable selling and distribution expenses.

##### **Consumable stores**

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

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **2.3. Summary of significant accounting policies (continued)**

##### **o) Impairment of non-financial assets**

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such indication exists, the Group 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 of disposal 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 Group assesses at each reporting date whether there is an indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased, if any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amounts of an asset attributable to a reversal of an impairment loss is limited to the carrying amount that would have been determined had no impairment loss been 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 Profit or Loss and Other 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 Other Comprehensive Income 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.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.3. Summary of significant accounting policies (continued)**

#### **n) 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 amortized cost, which generally approximates fair value.

#### **o) Provisions**

Provisions are recognized 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 recognized 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.

Provisions are recognized when the Group and Commission 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 obligation. The expense relating to a provision is presented in the statement of profit and loss.

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 recognized as a finance cost.

#### **p) Pension obligations and other post - employee benefits**

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.

# BOTSWANA MEAT COMMISSION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 2.3. Summary of significant accounting policies (continued)

#### p) Pension obligations and other post - employee benefits (continued)

The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group and Commission operates a defined pension contribution plan. The total amount recognized by the Group as an expense in 2022 is P7.5 million and for 2021 the comparative figure was P 7.1 million.

### 2.4. Changes in accounting policies and disclosures

#### a) Changes in presentation of the statement of profit and loss and other comprehensive income

The presentation of the financial statements was changed from the nature method to the function method as this was considered more appropriate considering the Commission's operations as a manufacturing entity. The gross profit generated from the Commission's manufacturing operations is considered to be a key performance indicator of the Commission's financial results.

#### Prior year statement of profit and loss and other comprehensive income (2021) by nature

	<b>Consolidated 2021 P'000</b>	<b>Commission 2021 P'000</b>
Revenue from contracts with customers	206,585	191,926
Freight, storage and other selling expenses	(30,138)	(6,656)
Livestock and meat costs	(102,746)	(102,746)
<b>Net revenue from contracts with customers</b>	<b>73,701</b>	<b>82,524</b>
Production and administration costs	(217,923)	(199,782)
Impairment reversed/charged for trade and other		
Other receivables	(2,296)	(19,557)
Government subvention	30,232	30,232
<b>Operating loss</b>	<b>(116,286)</b>	<b>(106,584)</b>

# BOTSWANA MEAT COMMISSION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 2.4 Changes in accounting policies and disclosures (continued)

#### a) Changes in presentation of the Income Statement (continued)

##### Statement of profit and loss and other comprehensive income in 2021 by function

	<b>Consolidated 2021 P'000</b>	<b>Commission 2021 P'000</b>
Revenue from contracts with customers	206,585	191,926
Cost of sales	(203,669)	(203,389)
<b>Gross profit / (loss)</b>	<b>2,916</b>	<b>(11,463)</b>
Administration costs	(117,000)	(99,140)
Selling and distribution expenses	(30,138)	(6,656)
Impairment reversed/charged for trade and other		
Other receivables	(2,296)	(19,557)
Government subvention	30,232	30,232
<b>Operating loss</b>	<b>(116,286)</b>	<b>(106,584)</b>

Further details indicating the composition of the cost of sales in the current and prior year are disclosed in note 6.

#### b) New and amended standards and interpretations adopted by BMC for the first time in 2022.

There are no applicable new standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.4 Changes in accounting policies and disclosures (continued)**

#### **c) Standards, amendments, and interpretations to existing standards not yet effective**

##### **(i) Amendment to IAS 1, “Classification of liabilities as Current or Non-Current” (effective date 1 January 2023)**

The amendments clarify one of the criteria for classifying a liability as non-current – that is, the right to defer settlement for at least 12 months after the reporting date.

##### **(ii) IFRS 17, ‘Insurance contracts (effective date 1 January 2023) – Not applicable to the Group.**

The standard establishes the principles for the recognition, measurement and presentation and disclosure of insurance contracts within the scope of the standard.

##### **(iii) Definition of Accounting Estimates - Amendments to IAS 8**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

##### **(iv) Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments aim to help entities provide accounting policy disclosures that are more useful by: Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **2.4. Changes in accounting policies and disclosures (continued)**

#### **c) Standards, amendments, and interpretations to existing standards not yet effective (continued)**

##### **(v) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The Group has assessed the impact of the above new pronouncements and has concluded that they will not have significant impact on Groups financial statements.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **3. 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. This requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different to the actual outcomes.

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. Other disclosures relating to the Group's exposure to risks and uncertainties includes:

#### **3.1. Judgements**

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.

#### **Determining the lease term of contracts with renewal and termination options – Group as lessee**

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

Refer to Note 12 for information on leases.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **3. Significant accounting judgements, estimates and assumptions (continued)**

#### **3.1. Judgements (continued)**

##### **Property lease classification – Group as lessor**

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

#### **3.2. Estimates and assumptions**

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 described 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.

##### **3.2.1. Revaluation of property, plant and equipment and investment properties**

The Group carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. For investment properties, a valuation methodology based on a comparable analysis model was used, in addition, it measures the office properties, plant and machinery at revalued amounts, with changes in fair value being recognized in OCI. The property, plant and machinery were valued by reference to transactions involving properties of a similar nature, location, and condition. The Group engaged an independent valuation specialist to assess fair values as at 31 December 2022 for the properties.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **3. Significant accounting judgements, estimates and assumptions (continued)**

#### **3.2. Estimates and assumptions (continued)**

##### **3.2.2. 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 DCF model. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

##### **3.2.3. Provision for expected credit losses of trade receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The information about the ECLs on the Group's trade receivables in Note 22.3.

##### **3.2.4. Taxes**

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

As at the reporting period, one of the Subsidiaries had a deferred tax asset of P1.2 million that was not recognized on account of the uncertainty surrounding the ongoing case with the South African Revenue Services. The assessed loss for the referred subsidiary is P8.5 million for 2022 while P4.8 million was reported for 2021.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **3. Significant accounting judgements, estimates and assumptions (continued)**

#### **3.2. Estimates and assumptions (continued)**

##### **3.2.5. Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 22.5 for further disclosure.

##### **3.2.6. Leases – Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating)

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **3. Significant accounting judgements, estimates and assumptions (continued)**

#### **3.2. Estimates and assumptions (continued)**

##### **3.2.7. Measurement of the expected credit loss allowance**

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (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.

##### **3.2.8. 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.

##### **3.2.9. 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.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **3. Significant accounting judgements, estimates and assumptions (continued).**

#### **3.2. Estimates and assumptions (continued)**

The process is detailed below:

- a. Short term receivables are firstly grouped by region.
- b. A minimum of 12 months summarized aged analysis of data is required (Debtors payments are allocated before the debtors' aged analysis is generated.
- c. 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.
- d. To incorporate the future looking forward information as required by the standard, the, gross domestic product (GDP) is used as the macro-economic factor.

#### **3.2.10. Going Concern**

The Commission's Management has assessed the Commission's and Group's ability to continue as a going concern. This has been noted on note 28.

# BOTSWANA MEAT COMMISSION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	<u>Consolidated</u>		<u>Commission</u>	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Sale of meat and allied meat products	365,371	191,926	365,371	191,926
Shipping	2,494	1,702	-	-
Cold Storage Services	8,471	12,956	-	-
	<b>376,336</b>	<b>206,585</b>	<b>365,371</b>	<b>191,926</b>

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

	For the year ended 31 December 2022			
	P'000	P'000	P'000	P'000
	Sale of meat and allied meat products	Shipping	Cold Storage Services	Total
Norway, Europe and United Kingdom	187,165	-	-	187,165
RSA and other SADC countries	27,897	2,494	8,471	38,862
Botswana	150,308	-	-	150,308
<b>Total</b>	<b>365,371</b>	<b>2,494</b>	<b>8,471</b>	<b>376,336</b>

	For the year ended 31 December 2021			
	P'000	P'000	P'000	P'000
	Sale of meat and allied meat products	Shipping	Cold Storage Services	Total
Norway, Europe and United Kingdom	96,845	-	-	96,845
RSA and other SADC countries	12,445	1,702	12,956	27,104
Botswana	82,636	-	-	82,636
<b>Total</b>	<b>191,926</b>	<b>1,702</b>	<b>12,956</b>	<b>206,585</b>

# BOTSWANA MEAT COMMISSION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

4.2 The Group's revenue disaggregated by major customers information:

	<b>CONSOLIDATED</b>	
	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>
Noridane	128,280	79,543
Botswana Government	78,035	-
Other Customers	170,021	127,042
<b>TOTAL</b>	<b>376,336</b>	<b>206,585</b>

The Group presented disaggregated revenue based on the geographical location of the customers. The Group presented a reconciliation of the disaggregated revenue with revenue information disclosed for each reporting segment.

4.3 The Group's revenue disaggregated by Inter Segments:

2022

	<u>LOBATSE</u>	<u>MAUN</u>	<u>TABLE BAY COLD STORAGE</u>	<u>BMC UK HOLDINGS</u>	<u>ADJUSTMENTS &amp; ELIMINATIONS</u>	<u>CONSOLIDATED</u>
Revenue	314,831	50,540	15,448	1,696	(6,178)	376,336
Inter Segment	11,783	(11,783)	-	-	-	-
<b>Total Revenue</b>	<b>326,614</b>	<b>38,756</b>	<b>15,448</b>	<b>1,696</b>	<b>(6,178)</b>	<b>376,336</b>

2021

	<u>LOBATSE</u>	<u>MAUN</u>	<u>TABLE BAY COLD STORAGE</u>	<u>BMC UK HOLDINGS</u>	<u>ADJUSTMENTS &amp; ELIMINATIONS</u>	<u>CONSOLIDATED</u>
Revenue	160,126	31,800	16,106	2,118	(3,566)	206,585
Inter Segment	14,601	(14,601)	-	-	-	-
<b>Total Revenue</b>	<b>174,727</b>	<b>17,199</b>	<b>16,106</b>	<b>2,118</b>	<b>(3,566)</b>	<b>206,585</b>

\*Revenue from Mainline subsidiary is nil

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **SEGMENT INFORMATION**

5.1 For Management purposes the Group is organized into business units based on its products and services and has five (5) reportable segments as follows:

- a. The abattoir which slaughters cattle and has two operating units, the Lobatse abattoir and Maun Abattoir.
- b. The Cold storage which provides shipping and cold storage service (Table Bay)
- c. The investment properties segment, which leases offices (Mainline)
- d. The marketing segment for the European market (BMC- UK)

# BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 5. SEGMENT INFORMATION (continued)

2022

	<u>LOBATSE</u>	<u>MAUN</u>	<u>MAINLINE</u>	<u>TABLE BAY COLD STORAGE</u>	<u>BMC UK HOLDINGS</u>	<u>ADJUSTMENTS &amp; ELIMINATIONS</u>	<u>CONSOLIDATED</u>
	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
Revenue	314,831	50,540	-	15,448	1,696	(6,178)	376,336
Inter Segment	11,783	(11,783)	-	-	-	-	-
<b>Total Revenue</b>	<b>326,614</b>	<b>38,756</b>	<b>-</b>	<b>15,448</b>	<b>1,696</b>	<b>(6,178)</b>	<b>376,336</b>
Cost of Sales and Administration Costs *	(273,630)	(64,225)	(1,316)	(12,915)	(564)	7,380	(345,270)
Staff Costs *	(93,041)	(19,617)	-	(9,737)	(543)	-	(122,937)
Depreciation of Property, Plant & Equipment *	(6,617)	(362)	-	(1,172)	(7)	-	(8,159)
Depreciation on right of Use-Asset *	-	-	-	(534)	-	-	(534)
Other Costs	(12,028)	-	-	-	-	(1,480)	(13,508)
Other Income	1,218	155	199	8,265	38	(4,983)	4,892
Government Subventions	-	23,520	-	-	-	-	23,520
Finance costs	(23,210)	-	-	(412)	-	3,798	(19,824)
Finance Income	10	-	-	-	-	-	10
Taxation	-	-	246	(243)	-	-	3
<b>SEGMENT (LOSS)</b>	<b>(80, 683)</b>	<b>(21,772)</b>	<b>(871)</b>	<b>(1,299)</b>	<b>620</b>	<b>(1,463)</b>	<b>(105,469)</b>
<b>TOTAL ASSETS</b>	<b>878,194</b>	<b>29,637</b>	<b>14,213</b>	<b>149,754</b>	<b>19,328</b>	<b>(114,567)</b>	<b>976,559</b>
<b>TOTAL LIABILITIES</b>	<b>670,654</b>	<b>26,583</b>	<b>2,915</b>	<b>14,181</b>	<b>851</b>	<b>(107,332)</b>	<b>607,851</b>

\* Depreciation of property, plant and equipment and on right of use asset and staff costs , are part of cost of sales and administration costs in the statement of comprehensive income , and disclosed separately under segment reporting .

# BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

## SEGMENT INFORMATION (continued)

2021

	<u>LOBATSE</u>	<u>MAUN</u>	<u>MAINLINE</u>	<u>TABLE BAY COLD STORAGE</u>	<u>BMC UK HOLDINGS</u>	<u>ADJUSTMENTS &amp; ELIMINATIONS</u>	<u>CONSOLIDATED</u>
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Revenue	160,126	31,800	-	16,106	2,118	(3,566)	206,585
Inter Segment	14,601	(14,601)	-	-	-	-	-
<b>Total Revenue</b>	<b>174,727</b>	<b>17,199</b>	<b>-</b>	<b>16,106</b>	<b>2,118</b>	<b>(3,566)</b>	<b>206,585</b>
Cost of Sales and Administration Costs*	(191,989)	(26,778)	(2,283)	(5,735)	(1,286)	11,031	(217,040)
Staff Costs*	(88,025)	(17,192)	-	(11,110)	(683)	-	(117,011)
Depreciation of Property , Plant & Equipment*	(11,443)	(1,041)	-	(5,270)	(6)	-	(17,760)
Depreciation on right of Use-Asset*	-	-	-	(1,292)	-	-	(1,292)
Other Costs				(648)			(648)
Other Income	4,349	4,638	304	8,337	1	(4,115)	13,514
Government Subventions	12,592	17,640	-	-	-	-	30,232
Finance Costs	(12,180)			(1,454)			(13,634)
Finance Income	119			185			304
Taxation			2,019	(1,264)			755
<b>SEGMENT PROFIT/(LOSS)</b>	<b>(111,850)</b>	<b>(5,534)</b>	<b>40</b>	<b>(2,145)</b>	<b>144</b>	<b>3,349</b>	<b>(115,994)</b>
<b>TOTAL ASSETS</b>	<b>147,426</b>	<b>27,769</b>	<b>15,113</b>	<b>207,683</b>	<b>15,050</b>	<b>(153,400)</b>	<b>259,641</b>
<b>TOTAL LIABILITIES</b>	<b>482,439</b>	<b>16,386</b>	<b>2,757</b>	<b>21,296</b>	<b>2,514</b>	<b>(95,044)</b>	<b>430,348</b>

\* Depreciation of property, plant and equipment and on right of use asset and staff costs, are part of cost of sales and administration costs in the statement of comprehensive income, and disclosed separately under segment reporting

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

6	COST OF SALES	<u>Consolidated</u>		<u>Commission</u>	
		2022 P'000	2021 P'000	2022 P'000	2021 P'000
	Livestock and procurement costs	217,930	102,746	217,930	102,746
	Employee benefits	55,202	51,556	55,202	51,556
	Utilities	30,606	27,517	30,606	27,517
	Packaging material	17,497	6,442	17,497	6,442
	Depreciation	6,478	11,840	6,478	11,840
	Process material	5,190	863	5,190	863
	Fuel	3,975	2,425	3,975	2,425
	Other production costs	223	280	-	-
		<b>337,101</b>	<b>203,669</b>	<b>336,878</b>	<b>203,389</b>

7	OTHER INCOME	<u>Consolidated</u>		<u>Commission</u>	
		2022 P'000	2021 P'000	2022 P'000	2021 P'000
	Sundry income	4,889	12,979	1,070	9,172
	Profit on disposal of property, plant and equipment	3	-	3	-
	Income from related parties - Management fees	-	-	300	240
		<b>4,892</b>	<b>12,979</b>	<b>1,373</b>	<b>9,412</b>

8	OPERATING (LOSS)	<u>Consolidated</u>		<u>Commission</u>	
		2022 P'000	2021 P'000	2022 P'000	2021 P'000

**OPERATING (LOSS) IS STATED AFTER TAKING INTO ACCOUNT THE FOLLOWING:**

**8.1 OTHER COSTS**

Profit on disposal of property, plant and equipment	-	535	-	535
Net exchange (losses)	(13,508)	(648)	(12,028)	(3,992)
	<b>(13,508)</b>	<b>(112)</b>	<b>(12,028)</b>	<b>(3,457)</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**8.2 ADMINISTRATION COSTS**

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Administration costs	(140,261)	(106,881)	(131,330)	(96,231)
Reversal of impairment loss	34,693	-	34,693	-
Depreciation of property, plant and equipment	(1,682)	(5,920)	(497)	(645)
Depreciation on right- of-use-asset	(534)	(1,292)	-	-
			-	-
Auditor's remuneration	(2,556)	(2,481)	(1,578)	(1,840)
Directors' Fees and emoluments	(401)	(425)	(401)	(425)
	<b>(110,740)</b>	<b>(117,000)</b>	<b>(99,113)</b>	<b>(99,140)</b>

**8.3 EMPLOYEE BENEFITS EXPENSE**

**Included in cost of sales**

Wages and salaries	42,112	40,977	38,063	32,908
Pension fund costs (All pension fund costs relate to a defined contribution plan)	3,711	3,489	3,192	3,448
Staff allowances and other staff costs	14,416	12,869	13,947	15,200
	<b>60,239</b>	<b>57,336</b>	<b>59,316</b>	<b>51,556</b>

**Included in administration costs**

Wages and salaries	43,831	42,650	39,617	34,251
Pension fund costs (All pension fund costs relate to a defined contribution plan)	3,862	3,631	3,322	3,589
Staff allowances and other staff costs	15,004	13,394	14,516	15,821
	<b>62,698</b>	<b>59,676</b>	<b>57,455</b>	<b>53,661</b>

**TOTAL EMPLOYEE BENEFITS**

	<b>122,937</b>	<b>117,011</b>	<b>112,657</b>	<b>105,217</b>
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**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**9 FINANCE COSTS**

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Bank overdraft	1,681	1,152	1,496	1,152
Trade Finance	5,923	-	5,923	-
Auto Finance	29	-	29	-
Lease Liabilities (Note 12)	228	301	-	-
Borrowings (Note 25)	11,963	12,180	11,963	12,180
Related parties	-	-	3,799	3,542
	<b>19,824</b>	<b>13,634</b>	<b>23,210</b>	<b>16,876</b>

**10 INCOME TAX**

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Operating loss before tax	(105,472)	(116,749)		
Less exempt portion relating to the Commission	102,456	117,385		
Net operating (loss)/ profit liable to tax @22%	(3, 016)	636	-	-
Tax on operating (loss) / profit	(664)	140	-	-
Permanent differences *	418	(1,661)	-	-
Foreign tax charged to Subsidiaries	243	766	-	-
<b>Tax charged for the Group</b>	<b>(3)</b>	<b>(755)</b>	<b>-</b>	<b>-</b>

As at the reporting date, the Commission is exempt from Income Tax. The income tax charge recognized for the year relates to Botswana Subsidiary (Mainline) and foreign Subsidiaries being Table Bay Cold Storage and BMC UK.

\* Permanent differences in the current year compromises mainly of expenses not allowed for tax purposes. The permanent difference in the prior year related to the reversal of accruals which were not allowed for tax purposes when the accruals were recognised.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**10 INCOME TAX (continued)**

	<u>Consolidated</u>		<u>Commission</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
Botswana taxation: - current year	<b>(246)</b>	11	-	-
	<b>(246)</b>	<b>11</b>	-	-
Foreign taxation:				
- current taxation	(1,055)	498	-	-
- deferred taxation	1298	(1,264)	-	-
	<b>243</b>	<b>(766)</b>	-	-
	<b>(3)</b>	<b>(755)</b>		

**10.1 TAX PAYABLE**

	<u>Consolidated</u>		<u>Commission</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
Balance payable at beginning of year	531	520	-	-
Current tax charge	(3)	498	-	-
Tax (Paid) received	916	(486)	-	-
Balance payable at end of year	<b>1,444</b>	<b>531</b>	-	-

Disclosed in the statements of financial position as:

Taxation payable	<u>1,444</u>	<u>531</u>	<u>-</u>	<u>-</u>
	<b>1,444</b>	<b>531</b>	<b>-</b>	<b>-</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

**11.1 CONSOLIDATED**

	<b>FV Land and Buildings P'000</b>	<b>FV Plant and Machinery P'000</b>	<b>Cost Motor Vehicles P'000</b>	<b>Cost Furniture and Equipment P'000</b>	<b>Cost Computer Equipment P'000</b>	<b>Total Cost/FV P'000</b>
<b>Year ended 31 December 2022</b>						
Opening carrying amount	139,982	13,063	538	1,752	634	155,970
Assets Revaluation (OCI)	615,124	21,557	-	-	-	636,681
Reversal of impairment loss (P&L)	22,316	12,377	-	-	-	34,693
Exchange differences	911	76	(29)	(169)	(3)	786
Initial recognition of land previously not recognized	1	-	-	-	-	1
Additions	-	1,369	911	197	889	3,366
Disposals	-	-	(2,398)	-	(16)	(2,414)
Depreciation charge	(4,751)	(2,838)	(92)	(199)	(279)	(8,159)
Accumulated depreciation on disposals	-	-	2,398	-	16	2,414
<b>Closing carrying amount</b>	<b>773,583</b>	<b>45,604</b>	<b>1,328</b>	<b>1,580</b>	<b>1,242</b>	<b>823,337</b>
<b>At 31 December 2022</b>						
Cost/valuation	778,334	48,442	15,873	16,428	37,425	896,503
Accumulated depreciation and impairment	(4,751)	(2,838)	(14,546)	(14,847)	(36,183)	(73,167)
<b>Carrying amount</b>	<b>773,583</b>	<b>45,604</b>	<b>1,328</b>	<b>1,580</b>	<b>1,242</b>	<b>823,337</b>

Out of the total revaluation gain of BWP 637 million a total of BWP 241 million related to land that had to be brought back into the books at fair value as the properties have now been accordingly registered in the Group's name (BMC and Mainline Carriers).

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

**11.1 CONSOLIDATED (Continued)**

	<u>FV Land and Buildings</u> P'000	<u>FV Plant and Machinery</u> P'000	<u>Cost Motor Vehicles</u> P'000	<u>Cost Furniture and Equipment</u> P'000	<u>Cost Computer Equipment</u> P'000	<u>Total Cost/FV</u> P'000
<b>Year ended 31 December 2021</b>						
Opening carrying amount	144,729	25,141	631	2,016	649	173,166
Exchange differences	1	69	-	1	34	105
Additions	-	100	-	8	349	458
Disposals	-	-	-	(2)	(6)	(8)
Depreciation charge	(4,749)	(12,247)	(92)	(273)	(398)	(17,760)
Accumulated depreciation on disposals	-	-	-	2	6	8
Closing carrying amount	<b>139,982</b>	<b>13,063</b>	<b>538</b>	<b>1,752</b>	<b>634</b>	<b>155,970</b>
<b>At 31 December 2021</b>						
Cost/valuation	181,223	141,817	17,360	16,875	36,532	393,807
Accumulated depreciation and impairment	(41,241)	(128,755)	(16,821)	(15,123)	(35,898)	(237,838)
<b>Carrying amount</b>	<b>139,982</b>	<b>13,063</b>	<b>538</b>	<b>1,752</b>	<b>634</b>	<b>155,970</b>

Included in Property Plant & Equipment are fully depreciated assets with an original cost of BWP 62 million (2021: BWP 64 million) at the reporting date.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

**11.2 COMMISSION**

	<b>FV Land and Buildings P'000</b>	<b>FV Plant and Machinery P'000</b>	<b>Cost Motor Vehicles P'000</b>	<b>Cost Furniture and Equipment P'000</b>	<b>Cost Computer Equipment P'000</b>	<b>Total P'000</b>
<b>Year ended 31 December 2022</b>						
Opening carrying amount	90,527	7,474	539	381	543	99,463
Assets Revaluation (OCI)	615,124	21,557	-	-	-	636,681
Reversal of impairment loss (P&L)	22,316	12,377	-	-	-	34,693
Additions	-	1,352	911	158	833	3,254
Depreciation charge	(4,645)	(1,828)	(121)	(131)	(249)	(6,975)
Disposals	-	-	(2,398)	-	(16)	(2,414)
Depreciation on disposals	-	-	2,398	-	16	2,414
Closing carrying amount	<b>723,322</b>	<b>40,931</b>	<b>1,328</b>	<b>409</b>	<b>1,127</b>	<b>767,116</b>
<b>At 31 December 2022</b>						
Cost/valuation	723,322	40,931	15,873	14,636	37,108	831,872
Accumulated depreciation and impairment	-	-	(14,546)	(14,227)	(35,983)	(64,775)
<b>Carrying amount</b>	<b>723,322</b>	<b>40,931</b>	<b>1,328</b>	<b>409</b>	<b>1,127</b>	<b>767,116</b>

Out of the total revaluation gain of BWP 637 million a total of BWP 241 million related to land that had to be brought back into the books at fair value as the properties have now been accordingly registered in BMC names.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

**11.2 COMMISSION (continued)**

	<b>FV Land and Buildings P'000</b>	<b>FV Plant and Machinery P'000</b>	<b>Cost Motor Vehicles P'000</b>	<b>Cost Furniture and Equipment P'000</b>	<b>Cost Computer Equipment P'000</b>	<b>Total P'000</b>
<b>Year ended 31 December 2021</b>						
Opening carrying amount	95,171	14,668	631	563	566	111,599
Additions	-	-	-	-	349	349
Depreciation charge	(4,644)	(7,194)	(92)	(181)	(373)	(12,485)
Disposals	-	-	(1,415)	(2)	(6)	(1,424)
Accumulated depreciation on disposals	-	-	1,415	2	6	1,424
Closing carrying amount	90,527	7,474	539	381	543	99,463
<b>At 31 December 2021</b>						
Cost/valuation	128,739	48,707	17,360	14,480	36,276	245,562
Accumulated depreciation and impairment	(38,212)	(41,234)	(16,821)	(14,099)	(35,733)	(146,099)
<b>Carrying amount</b>	<b>90,527</b>	<b>7,474</b>	<b>539</b>	<b>381</b>	<b>543</b>	<b>99,463</b>

**Use of Fair values:**

Some of the assets are maintained at historical cost and therefore at the end of the reporting period, Management assessed the use of fair values for these assets and concluded that there will be no material variation if the same assets were valued at historic cost less accumulated depreciation.

**Assets held at Fair Value:**

Property Plant and Equipment held at revalued amounts were revalued in the current financial year. This is in line with the Commission's policy to revalue these assets every 3 – 5 years and a revaluation gain of BWP 671 million was recognized. In prior years, an impairment loss of BWP 35 million was charged to the statement of profit and loss and in 2022, a revaluation gain of the same amount for the same assets was reversed in accordance with the requirements of IAS 36.

**Rental Income:**

A total of BWP0.250 million was earned as rental income in the current year from rented residential buildings.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

**11.3 FAIR VALUE OF PROPERTY PLANT & EQUIPMENT**

<b>Reconciliation of carrying amount</b>	<b>Group P'000</b>	<b>Commission P'000</b>
<b>Carrying amount as at 1 January 2022</b>	155,970	99,463
Additions	3,366	3,255
Depreciation charge	(8,159)	(6,975)
Exchange differences	786	-
Level 3 revaluation gain to OCI	636,681	636,681
Reversal of impairment loss (P&I)	34,693	34,693
Disposal	(2,414)	(2,414)
Accumulated depreciation on Disposal	2,414	2,414
<b>Carrying amount and fair value as at 31 December 2022</b>	<b>823,337</b>	<b>767,116</b>
<b>Carrying amount as at 1 January 2021</b>	<b>173,166</b>	<b>111,599</b>
Additions	458	349
Depreciation charge	(17,760)	(12,485)
Exchange differences	105	-
Disposal	(8)	(1,424)
Accumulated Depreciation on Disposal	8	1,424
<b>Carrying amount and fair value as at 31 December 2021</b>	<b>155,970</b>	<b>99,463</b>

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **11. PROPERTY, PLANT AND EQUIPMENT (continued)**

##### **11.2 FAIR VALUE OF PROPERTY PLANT & EQUIPMENT (continued)**

As at the date of revaluation on 31 December 2022, the properties' fair values are based on valuations performed by Apex Properties an accredited independent valuer who has valuation experience for similar properties in Botswana. A revaluation gain from the properties in Botswana of BWP 637 million in 2022 was recognized in other comprehensive income (OCI) and an impairment reversal of BWP 35 million was recognised in the profit and loss. The fair values were estimated using level 3 inputs. Level 3 inputs are unobservable inputs for the asset.

During the 2022 financial year, the Commission undertook a land and property audit to confirm the title to land and properties included in its records. The process was also used to confirm if the Commission had title over these properties. Certain properties were identified which were valued at nominal values in 2017 as title over these properties could not be confirmed at the time. The land and property audit confirmed title over these properties in the name of the Commission and as a result these properties were valued at the current reporting date. Following this, a BWP 241 million fair value gain was recognised in the current year relating to these properties.

While the Policy of the Group and Commission is to carry out revaluations 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, these were carried out after five (5) and hence the significant gain realized. It is important to highlight that a revaluation loss of BWP 222 million was reported in 2017 and subsequently, an impairment loss of P 35 million was also processed subsequent to the revaluation in 2017. Over the years the Group and Commission financial performance resulted in negative cashflow projections resulting in the Group and Commission not being able to support any fair value gains. As at 31 December 2022, the Group and Commission are forecasting positive cashflows as a result of cash injection from the Shareholder resulting to better throughput and an increase in revenue compared to the prior years in line with the five (5) year corporate strategy. Had these valuations been performed in the prior years, the Group and Commission's cashflows would not have been able to support any significant fair value gains.

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 measures were used in the model:

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **11. PROPERTY, PLANT AND EQUIPMENT (continued)**

##### **11.2 FAIR VALUE OF PROPERTY PLANT & EQUIPMENT (continued)**

- a) Expected average life that each type of asset will remain in service before requiring replacement. Most of the assets are expected to be used for a further ten (10) years, with regular maintenance ; and
- b) The cost of replacing the existing assets with their modern equivalent's assets. The total gross replacement value for property for all the revalued assets is BWP 715 million.

Significant unobservable valuation input

<b>Price per square meter</b>	<b>Range (BWP)</b>
Land	50-150
Buildings	2,000 – 12,500

Significant increases (decreases) in estimated average life, replacement cost estimated useful life, and estimated price per square meter 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

#### **11.4 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 2022 and 2021 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 (Slaughterhouse, one cannery and the Head office.)

The Group assessed, as at 31 December 2022, whether there is an indication of asset impairment. The Fair Value less Costs of disposal (FVLCTD) method was used for the purpose of assessing impairment in the business Cash Generating Units, instead of the Discounted Cash Methodology in accordance with IAS 36 Impairment of Assets due to the negative cashflow during the explicit and terminal period.

The following procedures were used to determine the impairment:

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **11. PROPERTY, PLANT AND EQUIPMENT (continued)**

##### **11.4 IMPAIRMENT (continued)**

- 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 amortization (EV/EBITDA) nor were they able 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 costs of disposal exceeds the carrying amount of the CGU's hence no impairment to account for as at 31 December 2022.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**12 LEASE LIABILITIES**

Carrying amounts of lease liabilities and movements during the period:

**CONSOLIDATED**

	<u><b>FORK LIFT</b></u>	<u><b>PRINTERS</b></u>	<u><b>TOTAL</b></u>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
<b>As at 01 January 2022</b>	1,892	8	<b>1,900</b>
Interest Charged	199	28	<b>228</b>
Payments	(537)	(8)	<b>(545)</b>
Exchange differences	34	(25)	<b>9</b>
<b>As at 31 December 2022</b>	<b>1,588</b>	<b>3</b>	<b>1,592</b>

	<u><b>BUILDINGS</b></u>	<u><b>FORK LIFT</b></u>	<u><b>PRINTERS</b></u>	<u><b>TOTAL</b></u>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
<b>As at 01 January 2021</b>	106	2,310	324	<b>2,740</b>
Interest Charged	41	232	28	<b>301</b>
Payments	(143)	(647)	(148)	<b>(937)</b>
Exchange differences	(3)	(3)	(197)	<b>(203)</b>
<b>As at 31 December 2021</b>	<b>-</b>	<b>1,892</b>	<b>8</b>	<b>1,900</b>

<b>Minimum lease payments due:</b>	<u><b>DISCOUNTED</b></u>		<u><b>UNDISCOUNTED</b></u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Within 1 year	719	590	806	661
2-5 years	872	1,310	978	1,468
Present Value of minimum lease payments	<b>1,592</b>	<b>1,900</b>	<b>1,784</b>	<b>2,130</b>

**Lease payments reconciliation:**

	<b>2,022</b>	<b>2,021</b>
	<b>P'000</b>	<b>P'000</b>
Payment	545	937
Less: Interest Payment	(228)	(301)
<b>Principal Payment</b>	<b>317</b>	<b>636</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**12 LEASE LIABILITIES (CONTINUED)**

**LEASE TERMS**

Leases of Building, Forklifts and Printers generally have lease terms of 5 years. The Group's obligations under its lease liabilities are secured by the lessors' title to the leased assets. These leases include renewal and termination options. There is no escalation rate charged on the Group's leases. The average incremental borrowing rate is 10.79%.

**Right of use Assets**

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

	<u>BUILDINGS</u>	<u>FORK LIFT</u>	<u>PRINTERS</u>	<u>TOTAL</u>
	P'000	P'000	P'000	P'000
As at 01 January 2022	-	1,378	237	1,615
Depreciation Expenses	-	(441)	(93)	(534)
Exchange differences	-	138	(44)	94
As at 31 December 2022	-	<b>1,075</b>	<b>100</b>	<b>1,175</b>

	<u>BUILDINGS</u>	<u>FORK LIFT</u>	<u>PRINTERS</u>	<u>TOTAL</u>
	P'000	P'000	P'000	P'000
As at 01 January 2021	322	1,856	441	2,619
Depreciation Expenses	(418)	(659)	(216)	(1,292)
Exchange differences	96	180	12	288
As at 31 December 2021	-	<b>1,378</b>	<b>237</b>	<b>1,615</b>

The following amounts are recognised in the statements of profit and loss and other comprehensive income.

	<b>2022</b>	<b>2021</b>
	P'000	P'000
Depreciation on right - of use- assets	534	1,292
Interest paid	228	301
<b>Total amount recognized in Profit or loss</b>	<b>761</b>	<b>1,594</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**13 INVESTMENT PROPERTY**

	<u>Consolidated</u>	
	2022 P'000	2021 P'000
Opening carrying amount	5,310	5,310
Fair Value adjustment	-	-
Closing carrying amount	<u>5,310</u>	<u>5,310</u>

As at 31 December 2022, the fair values of the properties are based on valuations performed by Apex properties, an accredited independent valuer. Apex is a specialist in valuing these types of investment properties. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The valuation covers filling station, warehouse, workshop and ancillary offices as they are located in the same place.

The direct comparable sales analysis was used to compare similar properties transacted on an arm's length basis to arrive at most suitable value and depreciated replacement cost method used to incorporate the land components of the site with ageing of structures. This was confirmed and standardized by the use of the gross replacement cost method. Management opted for the comparable method instead of the Discounted cash flows due to the discontinued operations of the Investment Property in March 2022.

In view of the fact that the filling station is currently closed and that an additional investment in excess of P2 million will be required to bring the filling station to operations, Management decided to maintain the investment at P5.3 million.

**Information about fair value measurements using significant unobservable inputs (level 3)**

Description	Fair Value as 31 December 2022	Range of un - observable inputs	Relationship of un - observable inputs to fair value
Filling Station	Comparable sales analysis	Market price per square meter - P2000 per square meter.	The higher the price per square meter of a comparable property, the higher the value of the property

**PERFORMANCE OF INVESTMENT PROPERTY**

	2022	2021
	P'000	P'000
Rental income derived from investment property	199	304
Direct operating expenses	(1,070)	(264)
<b>(LOSS)/PROFIT ARISING FROM INVESTMENT PROPERTY</b>	<b>(871)</b>	<b>40</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**14 INVESTMENTS**

		<u>Consolidated</u>		<u>Commission</u>	
		2022	2021	2022	2021
	% Equity held	P'000	P'000	P'000	P'000
<b>Subsidiary companies:</b>					
Botswana Meat Commission (UK) Holdings Limited - UK London Shares at cost	100	-	-	2,866	2,866
Lobatse Leathers (Proprietary) Limited - Botswana Shares at cost	100	-	-	300	300
Mainline Carriers (Botswana) (Proprietary) Limited - Botswana Shares at cost	100	-	-	4,308	4,308
Debentures in Clifton School		10	10	10	10
		<b>10</b>	<b>10</b>	<b>7,484</b>	<b>7,484</b>

**Investments in Subsidiaries**

BMC is an ordinary shareholder with a 100% controlling interest in BMC UK Holdings Limited, Lobatse Leathers (Proprietary) Limited and Mainline Carriers (Proprietary) Limited. The Subsidiaries have been accordingly consolidated in accordance with the provisions for the relevant International Reporting Standards. Adjusting entries to eliminate duplicated balances in the Consolidated financial statements are processed.

Investments in subsidiaries are recorded as part of the Group's assets in the Statement of Financial Position. The results of these subsidiaries are disclosed under note 5.

**Debentures in Clifton School**

These are debentures held at fair value and they carry no interest and no fixed maturity date.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**15 INVENTORIES**

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Finished goods	97,029	21,926	97,029	19,338
Obsolete inventory allowance - Finished goods	-	(3,975)	-	(1,387)
	<b>97,029</b>	<b>17,951</b>	<b>97,029</b>	<b>17,951</b>
Stores				
Opening Stock	13,947	14,436	13,862	14,403
Obsolete inventory allowance -Stores	(3,015)	(475)	(3,015)	(475)
	<b>10,932</b>	<b>13,961</b>	<b>10,847</b>	<b>13,928</b>
<b>GRAND INVENTORY</b>	<b>107,962</b>	<b>31,911</b>	<b>107,877</b>	<b>31,879</b>

**BREAK DOWN OF FINISHED GOODS**

Deboned Meat Stocks *	82,795	16,791	82,795	16,791
Canned Products **	10,552	645	10,552	645
By-products	3,682	515	3,682	515
<b>TOTALS</b>	<b>97,029</b>	<b>17,951</b>	<b>97,029</b>	<b>17,951</b>

\* The total value of stock of deboned meat was significantly increased by the return of fifteen (15) containers on account of errors on the Health Certificates. These were destined to Norway and the Rest of Europe Markets. It is however important to highlight that there were no issues around the product quality but according to the European Union regulatory requirements for the importation of beef, only administrative errors could be corrected while those related to traceability are not allowed and as such the products have to be sold in alternative markets. The total value of the products returned is BWP 25 million.

\*\* The value of the canned products was also impacted by the increased production of the canned Stewed Steak with gravy, to fulfil the contract for the primary schools feeding programme with the Ministry of Local Government and Rural Development. The sales revenue relating to the inventory on hand as at year end will be recognized in the following year.

Inventory written down for the Group during the year amounted to BWP 3 million (2021: BWP 4 million). Inventory written down for the Commission during the year amounted to BWP 3 million (2021: BWP 2 million), driven by expired finished goods at year end. A total of BWP 1 million was reversed in 2022 (2021: nil) for both the Group and Commission. Subsequent to this, the expired stock was used in the production of petfood resulting in the full reversal of the prior year impairment provision.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**16 TRADE AND OTHER RECEIVABLES**

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Trade receivables	42,620	62,388	42,614	55,461
Allowances for expected credit losses	(29,773)	(33,554)	(28,831)	(31,046)
<b>Trade receivables - net</b>	<b>12,846</b>	<b>28,834</b>	<b>13,783</b>	<b>24,415</b>
Other receivables	22,895	23,896	18,336	19,885
Allowances for expected credit losses	(17,829)	(17,250)	(17,829)	(17,250)
<b>Net Other Receivables</b>	<b>5,067</b>	<b>6,646</b>	<b>508</b>	<b>2,635</b>
Value added tax	955	2,608	955	2,608
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>18,869</b>	<b>38,088</b>	<b>15,246</b>	<b>29,658</b>

**Movement in the allowances for Expected Credit Losses:**

**TRADE RECEIVABLES**

Allowances for expected credit losses as at beginning of year	33,554	48,508	31,046	45,971
Provision recognised on trade receivables	(3,781)	(14,954)	(2,215)	(14,925)
<b>Allowances for expected credit losses as at end of year</b>	<b>29,773</b>	<b>33,554</b>	<b>28,831</b>	<b>31,046</b>

**OTHER RECEIVABLES**

Allowances for expected credit losses as at beginning of year	17,250	-	17,250	-
Provision recognised on other receivables	579	17,250	579	17,250
<b>Allowances for expected credit losses as at end of year</b>	<b>17,829</b>	<b>17,250</b>	<b>17,829</b>	<b>17,250</b>

**AMOUNTS DUE FROM GROUP COMPANY**

Allowances for expected credit losses as at beginning of year	-	-	17,232	-
Provision recognised on amounts due from Group company (Note 23.4)	-	-	-	17,232
<b>Allowances for expected credit losses as at end of year</b>	<b>-</b>	<b>-</b>	<b>17,232</b>	<b>17,232</b>
<b>TOTAL MOVEMENT RECOGNIZED IN PROFIT AND LOSS</b>	<b>(3,202)</b>	<b>2,296</b>	<b>(1,636)</b>	<b>19,557</b>

**BOTSWANA MEAT COMMISSION**  
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**16. TRADE AND OTHER RECEIVABLES (CONTINUED)**

\*Other receivables expected credit losses relates to specific impaired debtors as a result of the previous feed lotters business model which has since been stopped in 2018. There is no movement in the ECL from prior year.

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 Distributors and accordingly, the Commissioners made an assessment and concluded that there is no further allowance required in excess of the Allowances for expected credit losses recognised in the statement of financial position. The average credit period is 30 days (2021: 30 days).

	GROUP		COMMISSION	
	2022	2021	2022	2021
	P'000	P'000	P'000	P'000
EUROPE	-	23,264	-	23,264
SOUTH AFRICA	14,650	20,616	14,644	13,689
LOCAL	16,216	8,393	16,216	8,393
OTHER MARKETS	11,358	10,115	11,358	10,115
<b>TOTAL</b>	<b>42,620</b>	<b>62,388</b>	<b>42,614</b>	<b>55,461</b>

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. A notable improvement in the quality of the credit balances is reflected by a reduction in the estimated credit losses on a year-on-year basis. This is largely attributable to the improved control environment around credit transactions.

**BOTSWANA MEAT COMMISSION**  
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**17 CASH AND CASH EQUIVALENTS**

	<u>Consolidated</u>		<u>Commission</u>	
	2022	2021	2022	2021
	P'000	P'000	P'000	P'000
Cash at bank and in hand	17,607	18,396	4,529	2,135
Short-term deposits	-	4,817	-	-
	<b>17,607</b>	<b>23,213</b>	<b>4,529</b>	<b>2,135</b>

All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions.

In addition, there has been no default in prior years. As a result, no impairment provision has been recognized.

**18 BANK OVERDRAFTS**

	2022	2021	2022	2021
	P'000	P'000	P'000	P'000
<b>Bank overdrafts comprise:</b>				
<i>Current account overdraft</i>				
First National Bank of Botswana	21,489	-	21,489	-
Standard Chartered Bank Botswana Limited	-	19,516	-	19,516
	<b>21,489</b>	<b>19,516</b>	<b>21,489</b>	<b>19,516</b>

**18.1 BANK OVERDRAFTS AND REVOLVING CATTLE FACILITY**

	<u>Consolidated</u>		<u>Commission</u>	
	2022	2021	2022	2021
	P'000	P'000	P'000	P'000
<i>Overdraft/revolving cattle facility limits</i>				
Amount utilised	21,489	19,516	97,122	19,516
Amount available	222,277	3,969	142,878	484
Total facility	<b>243,766</b>	<b>23,485</b>	<b>240,000</b>	<b>20,000</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**18 BANK OVERDRAFTS (continued)**

**18.1 BANK OVERDRAFTS AND REVOLVING CATTLE FACILITY (continued)**

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

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Botswana Pula denominated (thousand)	BWP240 000	BWP90 000	BWP240 000	BWP90 000
South African Rand denominated- Held with Standard Bank	ZAR 5,000	ZAR 5,000	ZAR -	ZAR -

The trade finance facility received from First National Bank of Botswana Limited is drawn in Botswana Pula.

- (i) An irrevocable unconditional Government guarantee for BWP 300 million was issued to secure the funding facilities. This is held as security for the facilities should the Commission be unable to meet its financial obligations, the Bank will call on the guarantee. The date of origin of the Government guarantee is December 2022. As at the 31st of December 2022, the total amount utilized from the facilities was BWP 76 million. No material loss is anticipated as a result of these transactions. The terms and conditions of the facilities are as follows:
- a. **Revolving Credit Facility – BWP 200 million** -this facility is marked for the procurement of cattle from cattle suppliers and the applicable interest rate is prime rate plus 0.5% per annum. The arrangement fee is 0.5% and the term of the facility is 120 days for each drawdown. There is no commitment fee charged on the unutilized balance and is uncommitted.
  - b. **Bank Overdraft – BWP 40 million** – the facility is to be utilized for working capital purposes and repayable on demand and the interest rate is the prime lending rate plus 0.8%. The arrangement fee charged was 0.5%. The facility does not attract any commitment fee charged for the unutilized limit.
  - c. **Bank Guarantees – BWP 25 million** – this is to facilitate the issuance of short-term performance guarantees and attracts an establishment fee of 0.2% payable on the face value of each issuance. The commission payable is 0.70% payable on an annual basis and the specific conditions that have to be fulfilled before the Facility may be used are: -

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **18 BANK OVERDRAFTS (continued)**

##### **18.1 BANK OVERDRAFTS AND REVOLVING CATTLE FACILITY (continued)**

- Guarantees shall have either a fixed expiry date or a notice withdrawal clause.
  - The Bank will only issue Guarantees which are acceptable in form and substance to the Bank.
  - Subject to fulfillment of all condition's precedent.
- d. **Business Term Loan 1 – BWP 12 million** – this facility is for general corporate purposes and the applicable interest is the prime lending rate plus 2%.The tenor for the term loan is 84 months, with an arrangement fee of 0.5%.The specific conditions before the facility may be used are:-
- Conclusion of relevant transaction documents.
  - Subject to fulfillment of all conditions precedent.
- e. **Business Term Loan 2 – BWP 21 million** - this facility is for general corporate purposes and the applicable interest is the prime lending rate plus 2%.The tenor for the term loan is 84 months, with an arrangement fee of 0.5%.The specific conditions before the facility may be used are the same as those defined for Business Term Loan 1.
- f. **Pre-settlement Facility – FOREX – BWP 2 million** – this is a short-term facility and is repayable on demand. Individual contracts may not exceed 12 months. The specific terms for the facility are: -
- The facility is subject to availability and at the discretion of the Bank.
  - The limit is expressed as a margined amount, being the maximum exposure given the Bank's credit risk factors as applied to the aggregate of each pre – settlement transaction.
  - The margined amount is calculated by taking into account the Bank's credit risk factors as applied to pre – settlement.

All the facilities attract penalty/ default interest charged at the relevant facility rate plus 2%. The default / penalty interest shall be charged by the Bank for failure on the part of the Commission to fulfill its obligations in terms of the Facility Agreement. The facilities shall be reviewed by the Bank on or before 30<sup>th</sup> October 2023

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**18.2 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2022 and 2021.

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Cash at bank and in hand (Note 17)	17,607	18,396	4,529	2,135
Short-term deposits (Note 17)	-	4,817	-	-
	17,607	23,213	4,529	2,135
Bank Overdrafts (Note 18)	(21,489)	(19,516)	(21,489)	(19,516)
<b>Cash and cash equivalents</b>	<b>(3,882)</b>	<b>3,696</b>	<b>(16,960)</b>	<b>(17,382)</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**19. TOTAL BORROWINGS RECONCILIATION**

**a) AUTO FINANCE BWP 748, 000:**

	<b>Consolidated</b>		<b>Commission</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Capital	748	-	748	-
<b>Total</b>	<b>748</b>	<b>-</b>	<b>748</b>	<b>-</b>

**b) GOVERNMENT LOAN BWP 160 MILLION**

Capital	160,000	160,000	160,000	160,000
Interest	24,022	18,705	24,022	18,705
Deferred Government grant recognised	(106, 666)	-	(106, 666)	-
<b>Total</b>	<b>77,356</b>	<b>178,705</b>	<b>77, 356</b>	<b>178,705</b>

**c) GOVERNMENT LOAN BWP 88 MILLION**

Capital	88,000	88,000	88,000	88,000
Interest	12,643	7,661	12,643	7,661
Deferred Government grant recognised	(47, 877)	-	(47, 877)	-
<b>Total</b>	<b>52, 766</b>	<b>95,661</b>	<b>52, 766</b>	<b>95,661</b>

**d) GOVERNMENT LOAN BWP 120 MILLION**

Capital	120,000	-	120,000	-
Interest	1,665	-	1,665	-
Deferred Government grant recognised	(41, 455)	-	(471, 455)	-
<b>Total</b>	<b>80, 210</b>	<b>-</b>	<b>80, 210</b>	<b>-</b>

<b>TOTAL GOVERNMENT LOANS</b>	<b>210,332</b>	<b>274,367</b>	<b>210,332</b>	<b>274,367</b>
<b>TOTAL BORROWINGS</b>	<b>211,080</b>	<b>274,367</b>	<b>211,080</b>	<b>274,367</b>
Long Term	210, 942	-	210, 942	-
Short Term	139	274,367	139	274,367
<b>TOTAL BORROWINGS</b>	<b>211,080</b>	<b>274,367</b>	<b>211,080</b>	<b>274,367</b>

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **19. TOTAL BORROWINGS RECONCILIATION (continued)**

The renegotiations of the Government loans (the BWP 88 million and the BWP 120 million) resulted in a significant portion of borrowings classified as current liabilities on the previous date to non-current liabilities reported at the current reporting date. Further details on the terms are below. The short-term portion relates to the auto finance loan. In compliance with the requirements of IFRS 9, the shareholder loans issued at below market rates resulted in the recognition of deferred Government grant which is reported as part of non-current liabilities.

The terms and conditions for the above facilities are defined below: -

- a) **AUTO FINANCE FACILITY – BWP 748,000** - the applicable interest for the facility is the prime rate plus 2% (8.76%) and is repayable over five (5) years. The last installment is due in June 2027 and is secured against the motor vehicle that was procured using the facility.
- b) **GOVERNMENT LOAN BWP 160 MILLION** - a loan of BWP 160 million was issued at an annual interest rate of 5% in August 2019 and was to be paid within twelve months. In 2022, BMC renegotiated the terms and conditions for the loan and Government acceded to the request and the interest was reduced to 2.65% with a two-year grace period. According to the renegotiated loan agreement, all the interest payable from 2019 to 2024 when the first installment will be due and payable, is capitalized. The loan is to be repaid in two annual installments over a ten (10) year period, with the final installment due in February 2034. The loan is carried at amortized costs, and interest is accrued on a monthly basis.
- c) **GOVERNMENT LOAN BWP 88 MILLION** - a loan of BWP 88 million was issued at an annual interest rate of 4.75% in August 2019 and was to be paid within twelve months. In 2022, BMC renegotiated the terms and conditions for the loan and Government acceded to the request and the interest was reduced to 2.65% with a two-year grace period. All the interest payable from 2019 to 2024 when the first installment will be due and payable, is capitalized. The loan is to be repaid in two annual installments over a ten (10) year period, with the final installment due in February 2034. The loan is carried at amortized cost and interest accrued on a monthly basis.
- d) **GOVERNMENT LOAN BWP 120 MILLION** – the loan is repayable over twenty years at an interest rate of 4.15%. The loan also has a two-year grace period within which the interest is capitalized. The first installment is due in 2024 while the loan will be fully repaid in 2042. The loan is carried at amortized cost and interest is accrued on a monthly basis.

**BOTSWANA MEAT COMMISSION**  
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**20. DEFERRED TAX ASSET / (LIABILITY) RECONCILIATION**

**DEFERRED TAXATION**

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
<b>Balance at beginning of year</b>	5,069	6,316	-	-
Taxable / (deductible) temporary difference movement - land and buildings	149	(70)	-	-
Taxable / (deductible) temporary difference - plant and equipment	300	(8)	-	-
Taxable / (deductible) temporary difference - prepayments	(1)	(25)	-	-
Taxable / (deductible) temporary difference – leases	31		-	-
Taxable / (deductible) temporary difference movement - provisions	(318)	609	-	-
Taxable / (deductible) temporary difference movement – short-term lease	124	-	-	-
Taxable / (deductible) temporary difference movement – other		740	-	-
Exchange differences	1,013	(2,494)	-	-
<b>Balance at end of year</b>	<b>6,367</b>	<b>5,069</b>	-	-

The Group is currently not using the assessed loss to decrease its deferred tax liability as Table Bay Cold Storage still has an ongoing case with South African Revenue Service (SARS) (refer to note 21) which could result in the Table Bay Cold Storage's having to settle the claim. Therefore, due to the uncertainty of Table Bay Cold Storage's future profitability, the deferred tax asset of the loss shall not be utilized until the SARS case is completely closed.

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
<b>Deferred Tax Liability</b>				
Accelerated Depreciation for tax purposes	1,329	1,662	-	-
Prepaid expenditure	-	88	-	-
Interest on SARS	27	-	-	-
Revaluation of assets	6,250	6,271	-	-
<b>Total Deferred Tax Liability</b>	<b>7,605</b>	<b>8,021</b>	-	-

**BOTSWANA MEAT COMMISSION**  
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**20. DEFERRED TAX ASSET / (LIABILITY) RECONCILIATION (continued)**

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
<b>Deferred Tax Asset</b>				
Leases	476	-	-	-
Provisions and accruals	763	2,952	-	-
<b>Total Deferred Tax Asset</b>	<b>1,239</b>	<b>2,952</b>	<b>-</b>	<b>-</b>

The deferred tax asset and liability have been net off in the statement of financial position as follows:

Deferred tax liability	7,605	8,021	-	-
Deferred tax asset	(1,239)	(2,952)	-	-
<b>Total Net Deferred Tax Liability</b>	<b>6,367</b>	<b>5,069</b>	<b>-</b>	<b>-</b>

**21 TRADE AND OTHER PAYABLES**

Trade payables	27,552	46,125	30,202	42,415
Accrued expenses	5,857	7,283	4,104	3,496
Provisions *	658	1,434	-	-
Payroll accruals	21,289	12,973	21,289	12,973
Customer refunds**	14,853	-	14,853	-
Withholding tax payable***	8,016	8,851	8,035	8,088
Advance from Government****	14,198	49,352	14,198	49,352
Other payables*****	1,827	2,443	1,378	2,284
	<b>94,250</b>	<b>128,965</b>	<b>94,059</b>	<b>118,608</b>

**BOTSWANA MEAT COMMISSION**  
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**21 TRADE AND OTHER PAYABLES (continued)**

**\*PROVISIONS**

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Opening Balance	1,434	3,901	-	-
Movement during the year	(776)	(2,467)	-	-
<b>Total</b>	<b>658</b>	<b>1,434</b>	<b>-</b>	<b>-</b>

In 2019 SARS put a claim of BWP 16 million against management of the bonded warehouse. After consultation with SARS a reconciliation was carried out by the business to ascertain the BWP 16 million put forward. In completion of the reconciliation a provision of BWP 4 million was made in the 2019 financials and also remained in the 2020 financials, and that provision was an estimate based on the information provided by SARS and also taking into account the reconciliation done by the business. In 2021 SARS revised the claim down from BWP 16 million to BWP 11 million based on the consultations and evidence provided by the Company. The Company worked with consultants, service providers and agents on getting further documentation and provided to SARS and upon submission of these documents an assessment was done, and the Company was only liable to pay SARS penalties and interest, these developments resulted in a further revision of the liability by SARS. In 2022 there have been further developments in the sourcing and submission of supporting documents required by SARS which has led to SARS revising down the obligation against the Company of BWP 0.7 million comprising of interest and penalties.

**\*\*CUSTOMER REFUNDS DUE**

Represents amounts received from customers for products that were ultimately returned on account of an error in veterinary health certificates. This contributed to the increased inventory as at year end as the returned product formed part of the closing stock valuation.

**\*\*\*WITHHOLDING TAX:**

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

**\*\*\*\*ADVANCE FROM GOVERNMENT**

The Ministry of Local Government and Rural Development advanced BMC BWP 51 million in September 2021 against the Stewed Steak Contract and the advance is payable on a monthly basis through goods delivered to the Ministry of Local Government and Rural Development. Total revenue recognized in the current financial year is BWP 77 million (2021: BWP 36 million). This is a deferred revenue contract and revenue is recognized upon delivery of goods to the customer.

**\*\*\*\*\* OTHER PAYABLES**

Amounts deducted from employees and farmers payable to financial institutions.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **21 TRADE AND OTHER PAYABLES (continued)**

##### **CREDIT PERIOD:**

The average credit period for trade payables is 60 days (2021: 120 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.

#### **22 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 Commissioners. 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.

The Group and Commission 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, 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 the Botswana Meat Commission Act (Cap 74:04) (As amended) Sections 13 and 14, the Commission sets aside funds for the redemption of borrowings from the accumulated surplus. Although the Act does not provide the value of the monies to be set aside, Management determines how much funds to set aside for this course. The provision made in the books for 2021 is nil. The Group manages its capital structure and makes the necessary adjustments, 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.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**22 FINANCIAL INSTRUMENTS CONTINUED**

**GEARING CONTINUED**

	<u>Consolidated</u>		<u>Commission</u>	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
<b>Debt</b>				
Bank Overdrafts (Note 18)	21,489	19,516	21,489	19,516
Government loans (Note 19)	210,332	274,367	210,332	274,367
Auto finance	748	-	748	-
Revolving cattle facility	75,632	-	75,632	-
<b>Total Debt</b>	<b>308,202</b>	<b>293,883</b>	<b>308,202</b>	<b>293,883</b>
Cash and cash equivalents (note 17)	(17,607)	(23,213)	(4,529)	(2,135)
Net debt (i)	<b>290,595</b>	<b>270,670</b>	<b>303,673</b>	<b>291,748</b>
Reserves (ii)	368,708	(170,707)	210,594	(323,631)
<b>Gearing Ratio</b>	<b>0.47</b>	<b>2.94</b>	<b>0.60</b>	<b>(9.22)</b>

- I) Debt is defined as borrowings and overdrafts, as disclosed in note 18 to 19.  
 II) comprises reserves as disclosed in the statements of changes in reserves.

**22.1 Categories of financial instruments**

The Commission financial assets are classified and measured at amortized costs.

<b>Financial assets</b>	<u>Consolidated</u>		<u>Commission</u>	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
<b>Amortized cost</b>				
Trade receivables and other receivables	17,321	35,480	14,278	27,051
Amounts due from Group Companies	-	-	2,830	1,085
Cash and Cash equivalents	17,607	23,213	4,529	2,135
<b>Total</b>	<b>34,928</b>	<b>58,693</b>	<b>21,637</b>	<b>30,270</b>

**BOTSWANA MEAT COMMISSION**  
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**22 FINANCIAL INSTRUMENTS (Continued)**

**22.1 Categories of financial instruments (continued)**

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Trade payables	28,947	48,568	31,581	43,199
Borrowings	211,080	274,367	211,080	274,367
Amounts due to group companies	-	-	98,978	86,335
Revolving cattle facility	75,632	-	75,632	-
Bank Overdrafts	21,489	19,516	21,489	19,516
<b>Total</b>	<b>337,148</b>	<b>342,451</b>	<b>438,760</b>	<b>423,416</b>
<b>Finance costs</b>				
Financial liabilities at amortized cost	19,824	13,634	23,210	16,876
<b>Finance income</b>				
Loans and receivables	10	304	10	119

**22.2 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 summarizes the maximum exposures to credit risk.

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Total credit risk comprises:				
Cash and cash equivalents	17,607	23,213	4,529	2,135
Trade and other receivables	16,743	35,480	13,698	27,051
<b>Total maximum exposure</b>	<b>34,350</b>	<b>58,693</b>	<b>18,227</b>	<b>29,185</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**22. FINANCIAL INSTRUMENTS (Continued)**

**22.2 Credit risk (continued)**

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

**COMMISSION**  
**2022**

	DAYS PAST DUE				TOTAL
	CURRENT	31-60 Days	61-90 Days	Over 90 days	
Expected Credit Loss Rate	1%	6%	3%	100%	
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Estimated Total Gross Carrying Amount at Default	13,363	293	318	28,640	42,614
Expected Credit Loss	166	16	9	28,640	28,831

**2021**

	DAYS PAST DUE				TOTAL
	CURRENT	31-60 Days	61-90 Days	Over 90 days	
Expected Credit Loss Rate	0.09%	2%	4%	84%	
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Estimated Total Gross Carrying Amount at Default	17,780	728	230	36,724	55,461
Expected Credit Loss	15	16	8	31,006	31,046

**GROUP**

**2022**

	DAYS PAST DUE				TOTAL
	CURRENT	31-60 Days	61-90 Days	Over 90 days	
Expected Credit Loss Rate	4%	6%	10%	100%	
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Estimated Total Gross Carrying Amount at Default	10,884	1,346	1,277	29,113	42,620
Expected Credit Loss	448	84	128	29,113	29,773

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**22. FINANCIAL INSTRUMENTS (Continued)**

**22.2 Credit risk (continued)**

2021

	DAYS PAST DUE				TOTAL
	CURRENT	31-60 Days	61-90 Days	Over 90 days	
Expected Credit Loss Rate	3%	2%	15%	84%	
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Estimated Total Gross Carrying Amount at Default	21,678	728	1,102	38,880	62,388
Expected Credit Loss	692	16	166	32,679	33,554

The Group and Commission collection rate has improved in 2022, resulting in reduced expected credit losses recognized in 2022. However, for debtors over 90 Days, a provision of 100 % from 84% recognized in 2021 has been assumed as these are debtors which are more than 365 Days past due.

**BOTSWANA MEAT COMMISSION**  
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**22.3 EXPECTED CREDIT LOSSES RECONCILIATION - 2022**

	<u>Consolidated</u>		<u>Commission</u>	
	<u>Gross Carrying Amount</u> P'000	<u>ECL</u> P'000	<u>Gross Carrying Amount</u> P'000	<u>ECL</u> P'000
<b>TRADE RECEIVABLES:</b>				
<b>1-Jan-22</b>	<b>62,388</b>	<b>33,554</b>	<b>55,461</b>	<b>31,046</b>
New Assets originated or purchased	301,069	-	297,483	-
Payments and assets derecognized	(315,481)	(3,781)	(305,867)	(2,215)
Foreign exchange effects	(5,356)	-	(4,463)	-
<b>31-Dec-22</b>	<b>42,620</b>	<b>29,773</b>	<b>42,614</b>	<b>28,831</b>
<b>OTHER RECEIVABLES:</b>				
<b>1-Jan-22</b>	<b>23,896</b>	<b>17,250</b>	<b>19,885</b>	<b>17,250</b>
New Assets originated or purchased	-	579	-	579
Payments and assets derecognized	(1,001)	-	(1,549)	-
<b>31-DEC-22</b>	<b>22,895</b>	<b>17,829</b>	<b>18,336</b>	<b>17,829</b>
<b>AMOUNTS DUE FROM GROUP COMPANIES:</b>				
<b>1-JAN-22 (Note 23.4)</b>	<b>-</b>	<b>-</b>	<b>17,232</b>	<b>17,232</b>
New Assets originated or purchased	-	-	-	-
Payments and assets derecognised	-	-	-	-
<b>31-DEC-22</b>	<b>-</b>	<b>-</b>	<b>17,232</b>	<b>17,232</b>
<b>TOTAL ECL CHARGE FOR THE YEAR</b>	<b>-</b>	<b>(3,202)</b>	<b>-</b>	<b>(1,636)</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**22. FINANCIAL INSTRUMENTS (Continued)**

**22.4 Expected credit losses reconciliation 2021**

	<u>Consolidated</u>		<u>Commission</u>	
	<u>Gross Carrying Amount</u> P'000	<u>ECL</u> P'000	<u>Gross Carrying Amount</u> P'000	<u>ECL</u> P'000
<b>TRADE RECEIVABLES</b>				
<b>1-Jan-21</b>	<b>66,858</b>	<b>48,508</b>	<b>60,647</b>	<b>45,971</b>
New Assets originated or purchased	165,268		153,541	
Payments and assets derecognized	(166,230)	(14,954)	(152,652)	(14,925)
Foreign Exchange effects	(7,034)		(6,074)	
<b>31-Dec-21</b>	<b>62,388</b>	<b>33,554</b>	<b>55,461</b>	<b>31,046</b>
<b>OTHER RECEIVABLES</b>				
<b>1-Jan-21</b>	<b>7,788</b>		<b>3,983</b>	<b>-</b>
New Assets originated or purchased	17,250	17,250	17,250	17,250
Payments and assets derecognized	(1,142)	-	(1,348)	-
<b>31-Dec-21</b>	<b>23,896</b>	<b>17,250</b>	<b>19,885</b>	<b>17,250</b>
<b>AMOUNTS DUE FROM GROUP COMPANIES</b>				
<b>1-Jan-21</b>			17,232	-
New Assets originated or purchased (Note 23.4)	-	-	-	17,232
Payments and assets derecognized	-	-	-	-
<b>31-Dec-21</b>	<b>-</b>	<b>-</b>	<b>17,232</b>	<b>17,232</b>
<b>TOTAL ECL CHARGE FOR THE YEAR</b>	<b>-</b>	<b>2,296</b>	<b>-</b>	<b>19,557</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**22.5 Fair value hierarchy of financial instruments**

The table below analyses financial instruments carried at amortized costs, by valuation method at 31 December 2022. 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).

<b>Group</b>	<b>Level 1 P'000</b>	<b>Level 2 P'000</b>	<b>Level 3 P'000</b>	<b>Total P'000</b>
<b>At 31 December 2022</b>				
Borrowings	-		(211,080)	(211,080)
	-		<b>(211,080)</b>	<b>(211,080)</b>
<b>At 31 December 2021</b>				
Borrowings	-		(274,367)	(274,367)
	-		<b>(274,367)</b>	<b>(274,367)</b>
<b>Commission</b>				
<b>At 31 December 2022</b>				
Borrowings	-		(211,080)	(211,080)
	-		<b>(211,080)</b>	<b>(211,080)</b>
<b>At 31 December 2021</b>				
Borrowings	-		(274,367)	(274,367)
	-		<b>(274,367)</b>	<b>(274,367)</b>

**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 2.65 % for both the BWP 160 million and BWP 88 million loan.  
Interest Rate for Government loan is 4.15% for the BWP 120 million loan.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**22 FINANCIAL INSTRUMENTS (Continued)**

**22.6 MARKET RISKS**

**22.6.1 Foreign currency risk management**

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:

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 and Equity.

			<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
			<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
	<b>Increase/decrease</b>					
	<b>in exchange rate</b>		<b>Effect on</b>	<b>Effect on</b>	<b>Effect on</b>	<b>Effect on</b>
			<b>profit before</b>	<b>profit before</b>	<b>profit before</b>	<b>profit before</b>
			<b>tax and Equity</b>	<b>tax and Equity</b>	<b>tax and Equity</b>	<b>tax and Equity</b>
GBP	+5%	(126)	35	(1,375)	(1,259)	
USD	+5%	-	-	(3,251)	(2,648)	
ZAR	+5%	580	1,146	1,459	2,108	
EURO	+5%	11	84	0.1	96	
GBP	-5%	126	(35)	1,375	1,259	
USD	-5%	-	-	3,251	2,648	
ZAR	-5%	(580)	(1,146)	(1,459)	(2,108)	
EURO	-5%	(11)	(84)	(0)	(96)	

**22.6.2 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 Equity and the balances would be negative.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**22. FINANCIAL INSTRUMENTS (Continued)**

**22.6.2 Interest rate risk (continued)**

	<u>Consolidated</u>		<u>Commission</u>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Profit or loss	<u>198.24</u>	<u>136.34</u>	<u>232.10</u>	<u>168.76</u>

**22.6.3 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 are expected to be settled at their book value within a year and hence are reflected at discounted amounts. In addition to these short-term borrowings, the Group provided guarantees amounting BWP 4 million to Standard Chartered Bank of United Kingdom and South Africa revenues services. These are disclosed under note 23 as contingent liabilities and will only be settled in the event the Group is not able to fulfil its financial obligations for which a guarantee was required.

The following are contractual maturities of financial liabilities, including estimated interests' payments and the impact of netting agreements:

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**22. FINANCIAL INSTRUMENTS (Continued)**

**22.6.3 Liquidity risk management (continued)**

**COMMISSION 2022**

	<b>Carrying Contractual amount</b>	<b>Cashflows</b>	<b>Within 1 year</b>	<b>2-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Interest bearing loans and borrowings	287,870	(506,359)	(199)	(149,431)	(356,729)	(506,359)
Bank Overdraft	21,489	(21,489)	(21,489)	-	-	(21,489)
Trade Finance	75,632	(75,632)	(75,632)	-	-	(75,632)
Trade Payables	94,059	(94,059)	(94,059)	-	-	(94,059)
Amounts due to Group companies	98,978	(98,978)	(98,978)	-	-	(98,978)
<b>TOTAL</b>	<b>578,028</b>	<b>(796,517)</b>	<b>(290,357)</b>	<b>(149,431)</b>	<b>(356,729)</b>	<b>(796,517)</b>

**GROUP 2022**

	<b>Carrying Contractual amount</b>	<b>Cashflows</b>	<b>Within 1 year</b>	<b>2-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Interest bearing loans and borrowings	211,080	(506,359)	(199)	(149,431)	(356,729)	(506,359)
Bank Overdraft	21,489	(21,489)	(21,489)	-	-	(21,489)
Trade Finance	75,632	(75,632)	(75,632)	-	-	(75,632)
Trade Payables	94,250	(94,250)	(94,250)	-	-	(94,250)
Lease liabilities	1,591	(1,783)	(806)	(977)	-	(1,783)
<b>TOTAL</b>	<b>404,042</b>	<b>(699,513)</b>	<b>192,376</b>	<b>(150,408)</b>	<b>(356,729)</b>	<b>(699,513)</b>

**BOTSWANA MEAT COMMISSION**  
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**22. FINANCIAL INSTRUMENTS (Continued)**

**22.6.3 Liquidity risk management (continued)**

**GROUP 2021**

	<b>Carrying Contractual amount</b>	<b>Cashflows</b>	<b>Within 1 year</b>	<b>2-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Interest bearing loans and borrowings	287,870	(287,870)	-	-	-	(287,870)
Bank Overdraft	19,516	(19,516)	(19,516)	-	-	(19,516)
Trade Payables	128,965	(128,965)	(128,965)	-	-	(128,965)
Lease liabilities	1,900	(2,129)	(661)	(1,468)	-	(2,129)
<b>TOTAL</b>	<b>438,251</b>	<b>(438,480)</b>	<b>(149,142)</b>	<b>(1,468)</b>	<b>-</b>	<b>(438,480)</b>

**COMMISSION 2021**

	<b>Carrying Contractual amount</b>	<b>Cashflows</b>	<b>Within 1 year</b>	<b>2-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Interest bearing loans and borrowings	287,870	(287,870)	-	-	-	(287,870)
Bank Overdraft	19,516	(19,516)	(19,516)	-	-	(19,516)
Trade Finance	118,608	(118,608)	(118,608)	-	-	(118,608)
Trade Payables	86,335	(86,335)	(86,335)	-	-	(86,335)
Amounts due to Group companies	86,335	(86,335)	(86,335)	-	-	(86,335)
<b>TOTAL</b>	<b>598,664</b>	<b>(512,329)</b>	<b>(224,459)</b>	<b>-</b>	<b>-</b>	<b>(512,329)</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**23. RELATED PARTY TRANSACTIONS AND BALANCES**

	<b>Commission</b>	
	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>
The related parties of the Commission are the Government of Botswana, refer to note 19, its subsidiaries as disclosed in (Note 5) and the Commissioners and senior its subsidiaries management		
<b>The following related party transactions were entered:</b>		
<b>23.1 Services charges</b>		
Management fees Payable - Botswana Meat Commission (UK) Holdings Limited (subsidiary)	1,709	1,859
Storage expenses Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	1,826	672
Management fees Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	1,340	1,246
Management fees Receivable - Mainline Carriers Botswana (Proprietary) Limited (subsidiary)	(300)	(240)
	<u>4,575</u>	<u>3,537</u>
<b>23.2 Interest paid</b>		
Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	(3,371)	(3,115)
BMC UK Holdings Limited (Subsidiary)	(428)	(427)
	<u>(3,799)</u>	<u>(3,542)</u>
<b>23.3 Subventions received from Government</b>	<u>23,520</u>	<u>30,232</u>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**23.4 Amounts due from Group companies**

	<u>Commission</u>	
	2022	2021
	P'000	P'000
BMC UK Holdings Limited (Subsidiary)	181	512
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	19,881	17,804
	<b>20,062</b>	<b>18,317</b>
Allowances for expected credit losses	(17,232)	(17,232)
	<b>2,830</b>	<b>1,085</b>

*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.*

**23.5 Amounts due to Group Companies**

	2022	<u>Commission</u>	2021
	P'000		P'000
BMC Meat Importers Limited, Guernsey (subsidiary)	18,207		18,374
Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	65,010		52,969
BMC UK Holdings Limited (subsidiary)	6,943		6,339
Mainline Carriers (Proprietary) Limited (subsidiary)	8,657		8,492
Lobatse Leathers (Proprietary) Limited (subsidiary)	161		161
	<b>98,978</b>		<b>86,335</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**23.5 Amounts due to group companies (Continued)**

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.

	<b>Commission</b>	
	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>
<b>23.6 Related party balances included in receivables</b>		
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	6	1,278
	<b>6</b>	<b>1,278</b>

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

**23.7 Transactions related to Board of Commissioners**

Commissioners' Fees	<b>401</b>	<b>422</b>
<b>Paid to:</b>		
Mr. Boyce. O. Mhutsiwa	40	37
Mr. Moraki Mokgosana	32	48
Mr. Tshepo Masire		15
Mr. Godfrey Mosimaneotsile	31	63
Ms. Gorata Gabaraane	31	87
Mr. Christian. R. Lemcke	3	6
Mr. Mbaakanyi Lenyatso	31	36
Mr. Bonolo Montle	83	33
Ms. Shameela Winston	69	11
Dr. James Sento	70	45
Mr. Joseph. B. Akoonyatse	11	41
Producer payments - Cattle Slaughter (Commission and consolidated)	590	135

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**23.8 Remuneration of key management personnel**

	<b>Commission</b>	
	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>
Employment benefits - Chief Executive Officer	671	1,053
Employment benefits - key management personnel -Executive Management	5,234	4,032
	<b>5,905</b>	<b>5,085</b>

**24. NOTES TO THE STATEMENTS OF CASH FLOWS**

	<b>Consolidated</b>		<b>Commission</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
<b>Cash used in operations</b>				
Operating loss	(77,072)	(116,286)	(68,601)	(106,583)
Adjustments for:				
Reversal of impairment of property, plant & equipment	(34, 693)	-	(34, 693)	-
Depreciation of property, plant and Equipment	8,159	17,760	6,957	12,485
Depreciation of Right of Use Asset	534	1,292	-	-
Gain on disposal of property, plant and equipment	(3)	(535)	(3)	(535)
Effects of changes in foreign exchange rates	(13,508)	648	(10,655)	2,413
	<b>(116,553)</b>	<b>(97,121)</b>	<b>(106,997)</b>	<b>(92,220)</b>
<b>Movements in working capital</b>				
(Increase)/Decrease in inventories	(76,051)	622	(75,998)	550
(Increase)/decrease in amounts due from group companies	-	-	(1,745)	17,706
Decrease/(increase) in trade and other receivables and prepayments	20,454	(7,008)	15,155	(6,180)
(Decrease)/increase in trade and other payables	(34,715)	39,711	(24,548)	25,075
Increase in the Cattle revolving facility	75,632	-	75,632	-
Increase /(Decrease) in amounts due to group companies	-	-	12,644	8,825
	<b>14,679</b>	<b>33,324</b>	<b>1,139</b>	<b>45,976</b>
Cash used in operations	<b>(131,232)</b>	<b>(63,797)</b>	<b>(105,839)</b>	<b>(46,244)</b>

# BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 25. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

### Group and Commission 2022

	1-Jan-22	Loan Received	PRINCIPAL REPAYMENT	INTEREST	DEFERRED GOVERNMENT GRANT	INTEREST PAYMENT	31-Dec-22
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
<b>Current Interest-bearing loans</b>							
Botswana Government Loans	274,367	120,000	-	11,963	(195,998)	-	210,332
<b>Auto Finance</b>							
First National Bank of Botswana		803	(54)	29	-	(29)	748
<b>Total Liabilities from Financing</b>	<b>274,367</b>	<b>120,803</b>	<b>(54)</b>	<b>11,991</b>	<b>(195,998)</b>	<b>(29)</b>	<b>211,081</b>

The deferred Government grant relates to loans issued by the Government to the Group and Commission at below market interest rates. Refer to note 19.

# BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 25. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

Group and Commission 2021

	1-Jan-21	Loan Received	PRINCIPAL REPAYMENT	INTEREST	INTEREST PAYMENT	31-Dec-21
<b>Current Interest-bearing loans</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Botswana Government Loans	262,187	-	-	12,180	-	274,367
	<b>262,187</b>	<b>-</b>	<b>-</b>	<b>12,180</b>	<b>-</b>	<b>274,367</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**26 PERFORMANCE GUARANTEES**

	<u>Consolidated</u>		<u>Commission</u>	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
i) Guarantee in favor of Transnet	1,040	1,040	1,040	1,040
ii) Customs and excise guarantee in South Africa Guarantee in favor of Botswana Unified Revenue	3,077	2,924	3,077	2,924
iii) Services	140	140	140	140
Guarantee in favor of Botswana Power Corporation	30	30	30	30
	<b>4,287</b>	<b>4,134</b>	<b>4,287</b>	<b>4,134</b>

**Performance Guarantees**

These are guarantees issued by the Bank on behalf of Group and Commission which is part of the trade conditions agreed with service providers and these have been disclosed as contingent liabilities as there is no obligation at the reporting date.

**26.1 Future capital expenditure**

Authorized but not yet contracted for	38,000	192,438	38,000	192,438
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Capital expenditure will be funded from internally generated funds and external funding as necessary. This relates to approved investment in property, plant and equipment.

**27. EVENTS AFTER THE REPORTING PERIOD**

**Non-Adjusting Events**

- I. BMC received an official accreditation to export beef to the United Arab Emirates (UAE). The accreditation will result in increased diversity of lucrative markets for Botswana beef. The UAE market is one of the best paying markets of beef in the Middle East which must be seen as a sustainable incentive for cattle beef production in Botswana.
- II. BMC was transferred from the Ministry of Agriculture to the Ministry of Entrepreneurship in January 2023 as part of the Government strategy to rationalize all government portfolios.

**Adjusting Events**

There were no adjusting events after the reporting period.

# **BOTSWANA MEAT COMMISSION**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **28. GOING CONCERN**

The Group and the Commission reported a total loss for the year of BWP 105 million (2021: loss of BWP 116 million) and loss of BWP 102 million (2021: loss BWP 117 million), respectively. The total comprehensive income for the Group and Commission is BWP 539 million (2021: loss BWP 112 million) and BWP 534 million (2021: nil), respectively. The accumulated losses of the Group and Commission amount to BWP 1.6 billion (2021: BWP 1.4 billion) and BWP 1.6 billion (2021: BWP 1.5 billion), respectively. These conditions show 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, as the sole Shareholder, to continue with financial support to the Commission. The Commission's going concern is also dependent on obtaining trade facilities and commercial loans from financial institutions to augment working capital funding.

The impact of climate change brings about additional uncertainties because the key raw material availability depends on the vegetation. Drought or lack of rainfall normally brings undesirable results as farmers are normally reluctant to sell animals below a certain weight.

There is also some positive news in which the Norway market increased its prices by an average of 15% beginning of 2022 which will significantly improve the liquidity of the Commission. The official accreditation to export beef to the United Arab Emirates (UAE) will result in increased diversity of lucrative markets for Botswana beef which is a cornerstone of the BMC Meriting Strategy 2022 to 2025.

As part of improvements to its value chain and monitoring performance, the Commission has developed a four (4) year strategy termed MERITING Strategy for the years Meriting Strategy 2022 to 2025.

Some of the Highlights of the strategy are;

- Optimization of production processes through the achievement of an overall equipment efficiency of 77% in 2022;
- Achieve total revenues of BWP 2 Billion by 2025;
- Enhance branding of Botswana Beef to grow current products' prices by 15% in 2022;

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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

The Commission reported a loss of BWP 102 million for 2022 financial year (2021: loss of BWP 117 million), total comprehensive income of BWP 534 million (2021: nil) and has accumulated losses of BWP 1.5 billion (2021: BWP 1.5 billion). Section 17 of the Botswana Meat Commission Act stipulates that it is the duty of the Commission 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 as demonstrated by the build-up of accumulated losses. This has resulted in reduced throughput and revenue due to the Commissions constrained cashflow.

It is however important to note that initiatives that are geared towards ensuring compliance going forward have been implemented and the MERITING Turnaround Strategy as well as recruitment of competent Management to with the right skills have been prioritized for 2022.