



**Botswana
Meat
Commission**
Meat Perfection Defined



ANNUAL CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

BOTSWANA MEAT COMMISSION

INDEX TO NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

CORPORATE INFORMATION

Business operations:

Botswana Meat Commission (the “Commission”) is a Parastatal and was established on the 24th 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. B. Radihephi	Deputy Chairperson (Appointed 1 Dec 2023)
Mr. M. Mokgosana	Member
Mr. G. Mosimaneotsile	Member
Mr. C. R. Lemcke	Member (Resigned 1 Dec 2023)
Mr. M. Lenyatso	Member
Mr. B.P. Montle	Member (Resigned 18 Dec 2023)
Ms. S. Winston	Member
Dr. J. Sento	Member
Mr. J. B. Akoonyatse	Member (Resigned 1 Dec 2023)
Mr. B.B. Paya	Member (Appointed 1 Dec 2023)
Mr. L.M Serole	Member (Appointed 1 Dec 2023)
Mr. M.G. Morapedi	Member (Appointed 1 Dec 2023)

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. O. 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)

Board Secretary:

Mr. O.O.M. Gaboutloeloe (Appointed November 2021)

BOTSWANA MEAT COMMISSION

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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
Standard Chartered Bank Botswana Limited
Standard Bank South Africa Limited
Standard Bank Plc London
Nedbank South Africa Limited
Access Bank Botswana Limited

GROUP INFORMATION

Subsidiaries

The consolidated financial statements of the Group include:

Name of subsidiary	Principal activities	Country of incorporation	% Equity Interest	
			2023	2022
Table Bay Cold Storage	Cold Storage, dry storage, clearing and forwarding	South Africa	100	100
BMC UK	Sales and Marketing of all kinds of meat and meat products	United Kingdom	100	100
Mainline Carriers (Pty) Ltd	Investment properties	Botswana	100	100

Botswana Meat Commission holds 100% of the equity in all the subsidiaries disclosed above. The immediate holding company of Table Bay Cold Storage is Allied Meat Insurance Company Ltd which is incorporated in Cayman Islands and is a subsidiary of Lobatse Leathers (Pty) Ltd while the ultimate holding company is Botswana Meat Commission. BMC UK Holdings and Mainline Carriers (Pty) Ltd 100% equity shares are directly owned by the Botswana Meat Commission.

BOTSWANA MEAT COMMISSION

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BOTSWANA MEAT COMMISSION

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 , and summary of material 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 the responsibility of the Board 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, which means that they comply with the entire body of pronouncements sanctioned by the International Accounting Standards Board (IASB). This includes the International Accounting Standards (IAS), IFRS and Interpretations originated by the IFRS Interpretations Committee.

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.

BOTSWANA MEAT COMMISSION

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Group and the Commission reported a total loss for the year of P80 million (2022: Loss of P105 million) and P88 million (2022: Loss P102 million), respectively. The total other comprehensive **loss** for the Group and Commission is (P72 million) (2022: **income** P539 million) and (P88 million) (2022: **income** P534 million), respectively. The accumulated losses of the Group and Commission amount to P1.6 billion (2022: P1.5 billion) and P1.6 billion (2022: P1.5 billion), respectively. The going concern of the Group and Commission is dependent on the initiatives disclosed in note 28 of the financial statements.

The Government of Botswana, 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

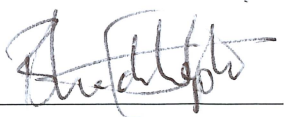
The internal controls are monitored throughout the Group and Commission and all employees are required to maintain the highest ethical standards in ensuring the Group and Commission's disclosure of audit information.

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 102 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 the 27th June 2024 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 103, which comprise the consolidated and separate statements of financial position as at 31 December 2023, 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 the notes to the consolidated and separate financial statements, including material accounting policy information.

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 2023, and of its consolidated and separate financial performance and of its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of 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 80 million and BWP 88 million respectively for the year ended 31 December 2023 and had accumulated deficits of BWP 1.612 million and BWP 1.637 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>Valuation of non-current assets The Group's and Commission's property, plant and equipment amounted to P807,535 million (2022: P823,337 million) and P753,885 (2022: P767,116 million) respectively at the reporting date. These assets comprised 66% (2022: 84%) and 66% (2022: 85%) respectively of the Group's and Commission's total assets at the reporting date.</p> <p>The Group and Commission continued realising annual losses with the Group realising a loss of BWP 80 million and the Commission a loss of BWP 88 million respectively for the year ended 31 December 2023. The Group and Commission also have decentralised operations in different geographical areas (three identifiable cash generating units – CGUs) which are impacted by foot-and-mouth outbreaks, drought etc. Due to the unpredictable nature of the industry and the continued losses realised by the Group and Commission, impairment indicators were identified for the property, plant and equipment held by the Group and Commission at 31 December 2023 and the Group and Commission were required to perform an impairment assessment on these CGUs as per the requirements of IAS 36 - <i>Impairment of assets</i>.</p> <p>The impairment assessment is based on the fair value in use calculated for each CGU using discounted cash flow models for each CGU.</p> <p>The discounted cash flow models require management to forecast revenue and expenses for future years and discount the net cash flows, using a discount rate, to determine the fair value of each CGU. These models included the following sensitivities which had a significant impact on the fair value calculations:</p> <ul style="list-style-type: none"> - Revenue growth rates impacted by production capacity and consumer spending in Africa and Europe (the Group and Commissions' most significant markets) - Exchange and inflation rates - Discount rate <p>We involved our internal valuation specialists in assessing the impairment assessment methods, the reasonableness of the discounted cash flow models and the reasonableness of the discount rate used in determining the fair value of the CGUs.</p> <p>The impairment assessment of the Group's and Commission's CGUs was the matter of most significance to our current year audit of the consolidated and separate financial statements due to the significant judgements and estimates applied by management in determining the fair values of the Group's and Commission's property, plant and equipment and the significance of these assets to the Group's and Commission's total assets.</p> <p>The disclosures associated with the impairment of assets are</p>	<p>Our audit procedures included, amongst others the following:</p> <ul style="list-style-type: none"> - We obtained an understanding of management's policies and processes to identify the potential triggering events for potential impairment of non-current assets. - We agreed the inputs into the discounted cash flow models to the Group's and Commission's underlying financial records, budgets and forecasts. <p>With the assistance of our internal valuation specialists, we performed the following procedures amongst others:</p> <ul style="list-style-type: none"> - We assessed the appropriateness of the impairment method used by management by comparing the method to our understanding of the business and the impairment methods applied by other entities operating in similar economic sectors. - We tested the mathematical accuracy of the discounted cash flow models used by management and compared the modelled results to the carrying values of the CGUs to determine whether these models indicate impairments to be recognised. - We assessed the reasonableness of the revenue growth rates by comparing these rates to the current and planned future production levels as per the Group and Commission's production reports and budgets, and anticipated growth rates in the industry for Africa and Europe as per reputable external verifiable resources. - We assessed the reasonableness of the expense growth rates, driven by exchange and inflation rates, by comparing the forecasted exchange and inflation rates to predicted exchange and inflation rates from reputable external verifiable resources. - We assessed the reasonableness of the discount rate used by management in the discounted cash flow models by independently recalculating an appropriate discount rate considering risk free rates, market risk premiums, betas and additional risk premiums applied by similar organisations operating in the same industry. - We assessed the adequacy of the disclosures included in the consolidated and separate financial statements by comparing these to the requirements of IAS 36.

set out in the financial statements: -Note 2.3(k) – Property, plant and equipment -Note 2.3(q) – Impairment of non-financial assets -Note 3.2.2 – Impairment of non-financial assets -Note 11 – Property, Plant and Equipment -Note 11.4 – Impairment	
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Other Information

The Directors are responsible for the other information. The other information comprises the information included in the 103-page document titled “Botswana Meat Commission Annual Consolidated and Separate Financial Statements for the year ended 31 December 2023” 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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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 and/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’s 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 skepticism 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:

- o 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,
- o 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
- o 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.



BOTSWANA MEAT COMMISSION

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>NOTES</u>	<u>Consolidated</u>		<u>Commission</u>	
		2023 P'000	2022 P'000	2023 P'000	2022 P'000
Revenue	4	640,222	376,336	619,537	365,371
Cost of sales	6	(550,343)	(337,101)	(551,474)	(336,878)
GROSS PROFIT		89,879	39,236	68,063	28,493
Administration costs	8.2	(132,625)	(110,740)	(126,026)	(99,113)
Selling and distribution expenses		(42,629)	(32,260)	(36,729)	(23,137)
Impairment reversed/ (Charged) for trade and other receivables	16	(1,241)	3,202	1,269	1,636
Government subvention		29,520	23,520	29,520	23,520
OPERATING LOSS		(57,096)	(77,043)	(63,903)	(68,601)
Other costs	8.1	(7,948)	(13,508)	(6,511)	(12,028)
Other income	7	16,742	4,892	15,746	1,373
Finance costs	9	(29,305)	(19,824)	(33,240)	(23,210)
Finance income		258	10	17	10
LOSS BEFORE TAXATION		(77,349)	(105,472)	(87,891)	(102,456)
Taxation	10	(2,499)	3	-	-
LOSS FOR THE YEAR		(79,848)	(105,469)	(87,891)	(102,456)
Other comprehensive income					
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		7,399	8,204	-	-
Other comprehensive income		7,399	644,885	-	636,681
TOTAL COMPREHENSIVE (LOSS) /INCOME FOR THE YEAR		(72,449)	539,416	(87,891)	534,226

BOTSWANA MEAT COMMISSION

STATEMENTS OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>NOTES</u>	<u>Consolidated</u>		<u>Commission</u>	
		<u>2023</u> <u>P'000</u>	<u>2022</u> <u>P'000</u>	<u>2023</u> <u>P'000</u>	<u>2022</u> <u>P'000</u>
ASSETS					
Non-current assets					
Property, plant and equipment	11	807,535	823,337	753,885	767,116
Right of use assets	12	914	1,175	-	-
Investment property	13	5,310	5,310	-	-
Investments	14	10	10	7,484	7,484
		813,769	829,832	761,369	774,600
Current assets					
Inventories	15	287,218	107,962	284,731	107,877
Trade and other receivables	16	100,199	18,869	84,315	15,246
Prepayments		2,703	2,290	2,662	2,749
Amounts due from Group Companies	23.4	-	-	1,383	2,830
Cash and cash equivalents	17	10,599	17,607	7,084	4,529
		400,719	146,728	380,175	133,231
TOTAL ASSETS		1,214,488	976,560	1,141,544	907,831
RESERVES AND LIABILITIES					
Reserves					
Capital reserves		707,853	707,853	659,740	659,740
Loan redemption reserve		340,066	340,066	340,066	340,066
Foreign currency translation reserve		23,373	15,974	-	-
Foreign exchange stabilization reserve		19,294	19,294	-	-
Asset revaluation reserve		817,905	817,905	759,804	759,804
Accumulated deficit		(1,612,232)	(1,532,384)	(1,636,907)	(1,549,016)
Total reserves		296,259	368,708	122,703	210,594
LIABILITIES					
Non-current liabilities					
Borrowings	19	236,789	210,942	236,789	210,942
Deferred Government Grant	19	195,998	195,998	195,998	195,998
Deferred tax liability	20	7,650	6,367	-	-
Lease liability	12	568	872	-	-
		441,005	414,179	432,787	406,940
Current liabilities					
Taxation payable	10.1	-	1,444	-	-
Lease liability	12	669	719	-	-
Trade and other payables	21	235,177	94,250	235,031	94,059
Amounts due to group companies	22.6	-	-	109,645	98,978
Bank overdrafts	18	39,942	21,489	39,942	21,489
Trade Finance	18.1	179,943	75,632	179,943	75,632
Borrowings	19	21,493	139	21,493	139
		477,224	193,673	586,054	290,297
Total liabilities		918,229	607,852	1,018,841	697,237
TOTAL RESERVES AND LIABILITIES		1,214,488	976,560	1,141,544	907,831

BOTSWANA MEAT COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>Notes</u>	<u>Consolidated</u>		<u>Commission</u>	
		2023	2022	2023	2022
		P'000	P'000	P'000	P'000
CASH FLOWS GENERATED IN OPERATING ACTIVITIES					
Cash used in operations	24	(40,755)	(118,037)	(32,546)	(105,839)
Interest paid		(9,642)	(7,633)	(10,067)	(11,248)
Interest Paid (Lease Liability)	12	(149)	(228)	-	-
Taxation (Paid) / Received	10.2	(286)	916	-	-
Net cash used in operating activities		(50,832)	(124,982)	(42,613)	(117,088)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(7,061)	(3,366)	(4,997)	(3,254)
Proceeds on disposal of property, plant and equipment		-	3	-	3
Finance income		258	10	17	10
Net cash used in investing activities		(6,803)	(3,353)	(4,980)	(3,241)
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowings repaid	25	(1,305)	(54)	(1,305)	(54)
Borrowings received	25	33,000	120,803	33,000	120,803
Payment of Lease Liability - Principal	12	(520)	(317)	-	-
Net cash generated from financing activities		31,175	120,432	31,695	120,749
Net (decrease) / increase in cash and cash equivalents		(26,460)	(7,903)	(15,898)	421
Net foreign exchange difference on cash and cash equivalents		999	325	-	-
Cash and cash equivalents at beginning of year		(3,882)	3,696	(16,960)	(17,381)
Cash and cash equivalents as at end of year		(29,343)	(3,882)	(32,858)	(16,960)
Comprising:					
Cash and cash equivalents	17	10,599	17,607	7,084	4,529
Bank overdrafts	18	(39,942)	(21,489)	(39,942)	(21,489)
		(29,343)	(3,882)	(32,858)	(16,960)

BOTSWANA MEAT COMMISSION

STATEMENTS OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2023

<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
Balance as at 1 January 2022	(170,707)	707,853	340,066	3,720	390	7,770	19,294	181,224	(1,431,026)
(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
Balance as at 31 December 2022	368,708	707,853	340,066	-	-	15,974	19,294	817,905	(1,532,384)
(Loss) for the year	(79,848)	-	-	-	-	-	-	-	(79,848)
Foreign exchange effect	7,399	-	-	-	-	7,399	-	-	-
Balance as at 31 December 2023	296,259	707,853	340,066	-	-	23,373	19,294	817,905	(1,612,232)

<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
Balance as at 1 January 2022	(323,632)	659,740	340,066	3,720	390	123,123	(1,450,671)
(Loss) for the year	(102,455)	-	-	-	-	-	(102,455)
Other comprehensive income *	636,681	-	-	-	-	636,681	-
Transfers between reserves	-	-	-	(3,720)	(390)	-	4,110
Balance as at 31 December 2022	210,594	659,740	340,066	-	-	759,804	(1,549,016)
(Loss) for the year	(87,891)	-	-	-	-	-	(87,891)
Balance as at 31 December 2023	122,703	659,740	340,066	-	-	759,804	(1,636,907)

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

BOTSWANA MEAT COMMISSION

STATEMENTS OF CHANGES IN RESERVES (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 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 in prior years 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 (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

1. Corporate Information

The consolidated financial statements of Botswana Meat Commission and its subsidiaries (collectively, the Group) for the year ended 31 December 2023 were authorized for issue in accordance with a resolution of the Directors **on the 24th 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. 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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. 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 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and can 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 2023

2. Accounting Policies continued

2.3. Summary of 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.
- 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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

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.

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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

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:

- (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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

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.

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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

d) Revenue from contracts with customers continued

- **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.

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 2023 amounted to P29.3 million to support the Maun Abattoir operational expenses while in 2022, Government grants received was P23.5 million.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

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.

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:

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

g) Taxes (continued)

Deferred tax (continued)

- 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.

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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

h) Taxes (continued)

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.

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.

i) 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

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 to 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 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

i) 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.

j) 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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

k) 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 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.

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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

k) Property, Plant and Equipment (continued)

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.

The actual useful lives of the assets and residual values are assessed annually and may vary depending on several 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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

1) Leases

The Group leases consists mostly of a warehouse, investment property and printers. Leases are individually negotiated and contain a wide range of different terms and conditions for 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. renewal options will only be included in the lease liability once it is reasonable that the Group will exercise the extension option.

BMC as a lessee: A lease liability and right-of-use asset for all leases are recognized at the lease commencement date, for all lease agreements for which the Group is a lessee, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.

Lease liability is measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at the date of initial application. The Right of Use Asset is determined using the present value of the Lease Liability.

The Group uses commercial banks' prime lending rates adjusted to the rate for risks specific 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:

- The initial amount of the corresponding lease liability
- Less any incentives received
- Any lease payments made at or before the commencement date
- Any direct costs incurred; and
- 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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

1) Leases (continued)

(i) Right of use assets (continued)

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.

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.

(ii) 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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

1) Leases (continued)

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.
- 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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

l) 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 Incremental Borrowing Rate (IBR) is used as a significant estimate and judgements by the Group in application of IFRS 16.

BMC as lessor:

The Group enters into lease agreements as a lessor in respect to its investment property and the Group also entered into rental agreements and leases part of its business premises in Table Bay subsidiary. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Commission also leases out its staff houses on short term basis, and this is accounted for via through the statement of profit/loss.

m) 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 recognized 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 recognized initially at fair value, net of transaction costs incurred.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

m) Borrowings (continued)

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

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

n) 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. The Property is currently being refurbished to comply with regulatory requirements and as such did not generate any rental income in 2023.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

o) 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 reassessed 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
- (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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

o) Financial Instruments (continued)

Initial recognition and measurement (continued)

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 and 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.

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.

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

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

o) Financial Instruments (continued)

Impairment of financial assets

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 83 and page 84. 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.

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).

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

p) 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 including canned products 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.

q) 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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

q) Impairment of non-financial assets continued

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.

r) 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.

s) 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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.3. Summary of Accounting Policies continued

s) Provisions continued

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.

t) 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.

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 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 2023 is P7.2 million and for 2022 the comparative figure is P7.5 million.

2.4. Changes in accounting policies and disclosures

a) New and amended standards and interpretations adopted by BMC for the first time in 2023

There are no applicable new standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (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 2023

2. Accounting Policies continued

2.4. Changes in accounting policies and disclosures continued

a) New and amended standards and interpretations adopted by BMC for the first time in 2023 continued

(i) International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD’s BEPS Pillar Two rules and include

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group’s consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less than BWP 10 billion/year.

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

IFRS 17 is a comprehensive standard that establishes the principles for the recognition, measurement and presentation and disclosure of insurance contracts within the scope of the standard. It applies to all types of insurance contracts regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting Policies continued

2.4. Changes in accounting policies and disclosures continued

b) New and amended standards and interpretations adopted by BMC for the first time in 2023 continued

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

IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

(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.

The amendments had no impact on the Group's consolidated financial statements.

(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 2023

2. Accounting Policies continued

2.4. Changes in accounting policies and disclosures continued

b) New and amended standards and interpretations adopted by BMC for the first time in 2023 continued

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

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

(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 amendments had no impact on the Group's consolidated financial statements.

2.5. Climate – related matters

The Group and Commission considers climate related matters as estimations and assumptions where applicable. This includes the review of many possible factors which can have an impact on the Group and Commission due to both physical and transition risks. The Group believes that currently climate related risks doesn't not have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as new climate related legislation.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

3. Material 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.

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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

3. Material accounting judgements, estimates and assumptions (continued)

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 and these were subsequently re – assessed by Management to confirm that there has not been a material change in the Fair value of the Investment property as at as at 31st December 2023.

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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

3. Material accounting judgements, estimates and assumptions (continued)

3.2. Estimates and assumptions (continued)

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.

In the prior year, no deferred tax asset was recognized on the assessed loss. The assessed profit for the referred subsidiary is P8.0 million for 2023 while a loss of P4 million was reported for 2022.

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 2023

3. Material 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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

3. Material accounting judgements, estimates and assumptions (continued)

3.2. Estimates and assumptions (continued)

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.

The process is detailed below:

- a. Short term receivables are initially 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 forward looking 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 2023

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Sale of meat and allied meat products	619,751	365,371	619,537	365,371
Shipping	6,397	2,494	-	-
Cold Storage Services	14,074	8,471	-	-
	640,222	376,336	619,537	365,371

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

For the year ended 31 December 2023

	Sale of meat and allied meat products	Shipping	Cold Storage Services	Total
	P'000	P'000	P'000	P'000
Norway, Europe and United Kingdom	320,445	-	-	320,445
RSA and other SADC countries	46,365	6,397	14,288	67,050
Botswana	252,727	-	-	252,727
Total	619,537	6,397	14,288	640,222

For the year ended 31 December 2022

	Sale of meat and allied meat products	Shipping	Cold Storage Services	Total
	P'000	P'000	P'000	P'000
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
Total	365,371	2,494	8,471	376,336

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

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

	CONSOLIDATED	
	2023 P'000	2022 P'000
Noridane Group	155,719	128,280
Botswana Government	206,661	78,035
United Brokerage South Africa	87,902	-
Other Customers	189,940	170,021
TOTAL	640,222	376,336

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:

2023

	<u>LOBATSE</u>	<u>MAUN</u>	<u>TABLE BAY COLD STORAGE</u>	<u>BMC UK HOLDINGS</u>	<u>ADJUSTMENTS & ELIMINATIONS</u>	<u>CONSOLIDATED</u>
	P'000	P'000	P'000	P'000	P'000	P'000
Revenue	576,018	43,733	31,575	1,761	(12,866)	640,222
Inter Segment	(61,932)	61,932	-	-	-	-
Total Revenue	514,086	105,665	31,575	1,761	(12,866)	640,222

2022

	<u>LOBATSE</u>	<u>MAUN</u>	<u>TABLE BAY COLD STORAGE</u>	<u>BMC UK HOLDINGS</u>	<u>ADJUSTMENTS & ELIMINATIONS</u>	<u>CONSOLIDATED</u>
	P'000	P'000	P'000	P'000	P'000	P'000
Revenue	314,831	50,540	15,448	1,696	(6,178)	376,336
Inter Segment	11,783	(11,783)	-	-	-	-
Total Revenue	326,614	38,756	15,448	1,696	(6,178)	376,336

*Revenue from Mainline subsidiary is nil (refer to note 5)

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

5. 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 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 properties (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 2023

5. SEGMENT INFORMATION (continued)

2023

	<u>LOBATSE</u>	<u>MAUN</u>	<u>MAINLINE</u>	<u>TABLE BAY COLD STORAGE</u>	<u>BMC UK HOLDINGS</u>	<u>ADJUSTMENTS & 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	575,804	43,733	-	31,575	1,761	(12,651)	640,222
Inter Segment	(61,932)	61,932	-	-	-	-	-
Total Revenue	513,872	105,665	-	31,575	1,761	(12,651)	640,222
Cost of Sales	(464,080)	(112,473)	(426)	(14,412)	(882)	14,472	(577,801)
Staff Costs*	(96,207)	(22,213)	-	(10,090)	(743)	-	(129,253)
Depreciation of Property, Plant & Equipment*	(16,324)	(1,904)	-	(1,056)	(7)	-	(19,291)
Depreciation on right of Use-Asset*	-	-	-	(493)	-	-	(493)
Other Costs	(6,262)	(249)	-	(861)	-	(576)	(7,948)
Other Income	7,316	8,430	2670	8,743	337	(10,754)	16,742
Government Subventions	-	29,520	-	-	-	-	29,520
Finance Costs	(33,240)	-	-	(149)	-	4,084	(29,305)
Finance Income	258	-	-	-	424	(424)	258
Taxation	-	-	-	(2,354)	(145)	-	(2,499)
SEGMENT PROFIT/(LOSS)	(94,667)	6,776	2,244	10,903	745	(5,849)	(79,848)
TOTAL ASSETS	1,060,047	81,497	14,483	165,260	17,526	(124,325)	1,214,488
TOTAL LIABILITIES	950,214	68,627	262	15,111	1,171	(117,155)	918,230

* 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 2023

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 & 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	(6,179)	376,336
Inter Segment	11,783	(11,783)	-	-	-	-	-
Total Revenue	326,614	38,757	-	15,448	1,696	(6,179)	376,336
Cost of Sales	(273,630)	(64,225)	(1,316)	(12,915)	(564)	7,382	(345,268)
Staff Costs*	(93,041)	(19,616)	-	(9,737)	(543)	-	(122,937)
Depreciation of Property, Plant & Equipment*	(6,617)	(362)	-	(1,173)	(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
SEGMENT PROFIT/(LOSS)	(80,683)	(21,772)	(871)	(1,299)	620	(1,463)	(105,469)
TOTAL ASSETS	878,194	29,637	14,213	149,754	19,328	(114,566)	976,560
TOTAL LIABILITIES	670,654	26,583	2,915	14,181	851	(107,332)	607,852

* 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 2023

6	COST OF SALES	<u>Consolidated</u>		<u>Commission</u>	
		2023	2022	2023	2022
		P'000	P'000	P'000	P'000
	Livestock and procurement costs	384,261	217,930	385,542	217,930
	Employee benefits	74,605	55,202	74,605	55,202
	Utilities	33,396	30,606	33,396	30,606
	Packaging material	28,797	17,497	28,797	17,497
	Depreciation of property plant & equipment	17,374	6,478	17,374	6,478
	Process material	7,440	5,190	7,440	5,190
	Fuel	4,320	3,975	4,320	3,975
	Other production costs	150	223	-	-
		550,343	337,101	551,474	336,878
7	OTHER INCOME	<u>Consolidated</u>		<u>Commission</u>	
		2023	2022	2023	2022
		P'000	P'000	P'000	P'000
	Sundry income *	3,555	350	6,561	238
	Rental Income **	4,299	3,957	197	250
	Laboratory testing	615	514	615	514
	Processing fees***	8,231		8,231	-
	Profit on disposal of property, plant and equipment	-	3		3
	Income from related parties - Management fees	-	-	360	300
	Tender receipts	42	68	42	68
		16,742	4,892	15,746	1,373

*Sundry Income has increased for the Commission due to the debt waiver from the UK subsidiary loan amounting to P6.2 million to the Parent. This was accounted for through the statement of profit or loss since it was the subsidiary offering a loan to the parent and hence it did not have any impact on equity.

For the Group, sundry income has increased in the current year due to the waiver on the Mainline Subsidiary tax liability obtained from the Parent Ministry.

** The Group has entered into rental agreements and leases part of its business premises in Table Bay Cold Storage subsidiary for rental and the Commission leases some of its residential buildings on a short-term basis.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

7 OTHER INCOME (continued)

** *Processing fees received from the Government for the slaughter of the Foot and Mouth affected cattle in Ngamiland to control the disease. The project was completed in 2023.

7.1 RENTAL INCOME

Group as a lessor

Operating leases relate to property owned by the Group and Commission with lease terms of between 12 months to 3 years, with an option to extend for a further negotiated period. All operating lease agreements contain market review clauses in the event that the lessee exercises its option to renew.

No lessee has an option to purchase the property at the expiry of the lease period.

Maturity Analysis of amounts receivable under operating leases

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Within one year	3,018	3,114	200	250
Within 2 to 3 years	1,522	3,167	-	-
	4,540	6,281	200	250

Rental income for the Commission includes staff houses leased out on short term basis.

8 OPERATING (LOSS)

Operating (loss) is stated after considering the following:

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
8.1 OTHER COSTS				
Net exchange (losses)	(7,087)	(13,508)	(6,511)	(12,028)
Loss on disposal of property, plant and equipment	(861)	-	-	-
	(7,948)	(13,508)	(6,511)	(12,028)

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

8.2 ADMINISTRATION COSTS

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Administration costs	(126,778)	(140,261)	(122,731)	(131,330)
Reversal of impairment loss	-	34,693	-	34,693
Depreciation of property, plant and equipment	(1,917)	(1,681)	(854)	(497)
Depreciation on right- of-use-asset	(493)	(534)	-	-
Auditor's remuneration	(2,742)	(2,556)	(1,800)	(1,578)
Directors' Fees and emoluments	(695)	(401)	(641)	(401)
	(132,625)	(110,740)	(126,024)	(99,113)

8.3 EMPLOYEE BENEFITS EXPENSE

Included in cost of sales

Wages and salaries	52,510	38,063	52,510	38,063
Pension fund costs (All pension fund costs relate to a defined contribution plan)	4,289	3,192	4,289	3,192
Staff allowances and other staff costs	17,806	13,947	17,806	13,947
	74,605	55,202	74,605	55,202

Included in administration costs

Wages and salaries	38,750	48,869	30,839	39,617
Pension fund costs (All pension fund costs relate to a defined contribution plan)	2,974	3,862	2,519	3,322
Staff allowances and other staff costs	12,924	15,004	10,457	14,516
	54,648	67,735	43,816	57,455

TOTAL EMPLOYEE BENEFITS

	129,253	122,937	118,421	112,657
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BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

9 FINANCE COSTS

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Bank overdraft	2,144	1,682	2,145	1,497
Trade Finance	10,624	5,923	10,624	5,923
Lease Liabilities (Note 12)	149	228	-	-
Borrowings (Note 25)	16,388	11,991	16,388	11,991
Related parties	-	-	4,084	3,799
	29,305	19,824	33,241	23,210

10 INCOME TAX

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Operating loss before tax	(71,805)	(105,472)	-	-
Less exempt portion relating to the Commission	85,129	102,456	-	-
Less Exempt portion relating to Mainline Subsidiary	(2,244)	-	-	-
Net operating profit/loss liable to tax :	11,080	(3, 016)	-	-
Local: Tax on operating (loss) / profit	-	(664)	-	-
Permanent differences *	1,849	418	-	-
Prior year assessed loss utilized in the current year	(871)	-	-	-
Foreign tax charged to Subsidiaries	1,521	243	-	-
Tax charged for the Group	2,499	(3)	-	-

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

* Permanent differences in the current and prior year comprises mainly of expenses not allowed for tax purposes such as donations.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

10 INCOME TAX (continued)

	Consolidated		Commission	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Botswana taxation				
-current taxation	-	(246)	-	-
	-	(246)	-	-
Foreign taxation:				
- current taxation	1,521	(1,055)	-	-
-deferred				
Originating and reversing temporary differences	978	1298	-	-
	2,499	243	-	-
	2,499	(3)		

10.1 TAXATION PAYABLE

Balance payable at beginning of year	1,444	531	-	-
Current tax charge	1,521	(3)	-	-
Tax written off*	(2,679)	-	-	-
Tax (Paid) received	(286)	916	-	-
Balance payable at end of year	-	1,444	-	-

Disclosed in the statements of financial position as:

Taxation payable	-	1,444	-	-
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*Tax written off – In 2023: The Mainline local subsidiary obtained a waiver from the local tax authority (Botswana Unified Revenues) not to pay tax on its outstanding tax liability.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

11. PROPERTY, PLANT AND EQUIPMENT

11.1 CONSOLIDATED

	<u>FV</u> <u>Land and</u> <u>Buildings</u> <u>P'000</u>	<u>FV Plant</u> <u>and</u> <u>Machinery</u> <u>P'000</u>	<u>Cost</u> <u>Motor</u> <u>Vehicles</u> <u>P'000</u>	<u>Cost</u> <u>Furniture</u> <u>and</u> <u>Equipment</u> <u>P'000</u>	<u>Cost</u> <u>Computer</u> <u>Equipment</u> <u>P'000</u>	<u>Total</u> <u>Cost/FV</u> <u>P'000</u>
Year ended 31 December 2023						
Opening carrying amount	773,583	45,604	1,328	1,580	1,242	823,337
Exchange differences	(2,054)	(481)	-	(178)	3	(2,710)
Additions	680	1,795	3,171	855	560	7,061
Disposals	-	(882)	-	(108)	-	(990)
Depreciation charge	(13,248)	(4,672)	(267)	(697)	(407)	(19,291)
Accumulated depreciation on disposals	-	114	-	14	-	128
Closing carrying amount	758,961	41,478	4,232	1,466	1,398	807,535
As at 31 December 2023						
Cost/valuation	779,014	50,236	19,044	17,283	37,985	903,562
Accumulated depreciation and impairment	(20,053)	(8,758)	(14,812)	(15,817)	(36,587)	(96,027)
Carrying amount	758,961	41,784	4,232	1,466	1,398	807,535

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

11. PROPERTY, PLANT AND EQUIPMENT (continued)

11.1 CONSOLIDATED

	FV Land and Buildings P'000	FV Plant and Machinery P'000	Cost Motor Vehicles P'000	Cost Furniture and Equipment P'000	Cost Computer Equipment P'000	Total Cost/FV P'000
Year ended 31 December 2022						
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
Closing carrying amount	773,583	45,604	1,328	1,580	1,242	823,337
As at 31 December 2022						
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)
Carrying amount	773,583	45,604	1,328	1,580	1,242	823,337

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

11. PROPERTY, PLANT AND EQUIPMENT (continued)

11.2 COMMISSION

	FV Land and Buildings P'000	FV Plant and Machinery P'000	Cost Motor Vehicles P'000	Cost Furniture and Equipment P'000	Cost Computer Equipment P'000	Total P'000
Year ended 31 December 2023						
Opening carrying amount	723,322	40,931	1,329	409	1,127	767,116
Additions	-	1,199	3,171	81	546	4,997
Depreciation charge	(13,248)	(4,126)	(267)	(198)	(389)	(18,228)
Closing carrying amount	710,074	38,004	4,233	291	1,284	753,885
As at 31 December 2023						
Cost/valuation	723,322	42,130	19,045	14,717	37,639	836,857
Accumulated depreciation and impairment	(13,248)	(4,126)	(14,812)	(14,427)	(36,731)	(14,430)
Carrying amount	710,074	38,004	4,233	291	1,284	753,885

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

11. PROPERTY, PLANT AND EQUIPMENT (continued)

11.2 COMMISSION (continued)

	FV Land and Buildings P'000	FV Plant and Machinery P'000	Cost Motor Vehicles P'000	Cost Furniture and Equipment P'000	Cost Computer Equipment P'000	Total P'000
Year ended 31 December 2022						
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	723,322	40,931	1,328	409	1,127	767,116
As at 31 December 2022						
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)
Carrying amount	723,322	40,931	1,328	409	1,127	767,116

In the year 2022, out of the total revaluation gain of BWP 637 million a total of BWP241 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 2023

11. PROPERTY, PLANT AND EQUIPMENT (continued)

11.3 FAIR VALUE OF PROPERTY PLANT & EQUIPMENT

Reconciliation of carrying amount	Group P'000	Commission P'000
Carrying amount as at 1 January 2023	823,337	767,116
Additions	7,061	4,997
Depreciation charge	(19,291)	(18,228)
Exchange differences	(2,710)	-
Disposal	(990)	-
Accumulated depreciation on Disposal	128	-
Carrying amount and fair value as at 31 December 2023	807,535	753,885
Carrying amount as at 1 January 2022	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&L)	34,693	34,693
Disposal	(2,414)	(2,414)
Accumulated depreciation on Disposal	2,414	2,414
Carrying amount and fair value as at 31 December 2022	823,337	767,116

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

11. PROPERTY, PLANT AND EQUIPMENT (continued)

11.3 FAIR VALUE OF PROPERTY, PLANT & EQUIPMENT (continued)

Management assessed the fair values of Property, Plant and Equipment as at the 31st December 2023 and concluded that the net book values calculated as the revalued amounts in the prior year less depreciation are not materially different from the estimated fair values. 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 recognized 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 comprehensive 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 prior reporting date. Following this, a BWP 241 million fair value gain was recognized in the 2022 financial year relating to these properties.

While the Policy of the Group and Commission is to carry out revaluations with sufficient regularity (within three-year intervals) 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. As at 31 December 2023, the Group and Commission are forecasting positive cashflows as a result of cash injection from the Shareholder resulting in improved throughput and an increase in revenue compared to the prior years. This is in line with the aspirations of the Commission as encapsulated in the five (5) year corporate strategy.

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.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

11. PROPERTY, PLANT AND EQUIPMENT (continued)

11.3 FAIR VALUE OF PROPERTY PLANT & EQUIPMENT (continued)

The following significant input measures were used in the model:

- 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 nine (9) 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 P715 million.

Significant unobservable valuation input

Price per square meter	Range (BWP)
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 as well as foot and mouth disease outbreaks. Live Cattle export also negatively affected throughput in 2022 and 2021. The Maun plant has to quarantine cattle from red zone before slaughter which hampers production output and resultant financial performance. It is however important to highlight that the cattle supply to the Maun Abattoir was positively impacted by the implementation of the depopulation strategy that resulted in slaughter of more than 7,500 cattle as part of the eradication strategy.

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 2023, 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.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

11. PROPERTY, PLANT AND EQUIPMENT (continued)

11.4 IMPAIRMENT (continued)

The following procedures were used to determine the impairment:

- a) Evaluation whether objective evidence of impairment exists for individual assets and the CGU's.
- b) Performed an independent multiple valuation assessment based on a level 2 fair value assessment criteria. BMC is loss-making and 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 exceed the carrying amount of the CGU's hence no impairment to account for as at 31 December 2023.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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12 LEASE LIABILITIES

Carrying amounts of lease liabilities and movements during the period:

CONSOLIDATED

	<u>FORK</u> <u>LIFT</u> P'000	<u>PRINTERS</u> P'000	<u>TOTAL</u> P'000
As at 01 January 2023	1,588	3	1,592
Additions	-	223	223
Interest Charged	130	19	149
Payments	(578)	(90)	(669)
Exchange differences	(177)	118	(59)
As at 31 December 2023	963	274	1,237

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

	<u>DISCOUNTED</u>		<u>UNDISCOUNTED</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Within 1 year	669	719	750	806
2-5 years	568	872	637	978
Present Value of minimum lease payments	1,237	1,592	1,387	1,784

Lease payments reconciliation:

	2,023	2,022
	P'000	P'000
Payment	669	545
Less: Interest Payment	(149)	(228)
Principal Payment	519	317

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

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. There is no escalation rate charged on the Group's leases. The average incremental borrowing rate is 10.79%.

Right of use Assets

	<u>FORK</u> <u>LIFT</u> P'000	<u>PRINTERS</u> P'000	<u>TOTAL</u> P'000
As at 01 January 2023	1,075	100	1,175
Additions		223	223
Depreciation Expenses	(413)	(71)	(493)
Exchange differences	(4)	13	9
As at 31 December 2023	649	265	914

	<u>FORK</u> <u>LIFT</u> P'000	<u>PRINTERS</u> P'000	<u>TOTAL</u> 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	1,075	100	1,175

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

	2023 P'000	2022 P'000
Depreciation on right - of use-assets	493	534
Interest paid	149	228
Short term leases	271	227
Total amount recognized in Profit or loss	913	989

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

13 INVESTMENT PROPERTY

	<u>Consolidated</u>	
	2023 P'000	2022 P'000
Opening carrying amount	5,310	5,310
Closing carrying amount	<u>5,310</u>	<u>5,310</u>

As at 31 December 2023, 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 2023.

In view of the fact that the filling station is currently closed and that an additional investment in excess of P14 million has been negotiated and agreed with the new Tenant as the total capital investment 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 2023	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

	2023	2022
	P'000	P'000
Rental income derived from investment property	-	199
Direct operating expenses	(426)	(1,070)
LOSS ARISING FROM INVESTMENT PROPERTY	(426)	(871)

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

14 INVESTMENTS

		<u>Consolidated</u>		<u>Commission</u>	
		2023	2022	2023	2022
	% Equity held	P'000	P'000	P'000	P'000
Subsidiary companies:					
BMC (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
		10	10	7,484	7,484

Investments in Subsidiaries

BMC is an ordinary shareholder with a 100% controlling interest in BMC UK Holdings Limited, Table Bay Cold Storage through Lobatse Leathers Proprietary and Mainline Carriers Proprietary. 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 Groups Assets in the Statement of Financial Position and Management confirms that as at the reporting period, the investment in subsidiaries is not impaired. 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 2023

15 INVENTORIES

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Finished goods	270,849	97,029	270,849	97,029
Obsolete inventory allowance	-	-	-	-
Finished goods	270,849	97,029	270,849	97,029
Stores:				
Consumables Stock	16,369	13,947	13,882	13,862
Obsolete inventory allowance -Stores	-	(3,015)	-	(3,015)
	16,369	10,932	13,882	10,847
TOTAL INVENTORY	287,218	107,962	284,731	107,877

BREAK DOWN OF FINISHED GOODS

Deboned Meat Stocks *	239,626	82,795	239,626	82,795
Canned Products **	21,928	10,552	21,928	10,552
By-products	9,295	3,682	9,295	3,682
TOTALS	270,849	97,029	270,849	97,029

* The total value of stock of deboned meat was significantly increased by the increased throughput in 2023.

** 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 program 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 off for the Group during the year amounted to P 3 million (2022: nil), however an allowance of P3 million was provided for in 2022 and this is the same for the Commission because the Subsidiaries do not hold inventories driven by expired finished goods at year end. Reversal on inventory written down for 2023 was nil and a total of P 1 million was reversed in 2022 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 2023

16 TRADE AND OTHER RECEIVABLES

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Trade receivables	123,474	42,621	113,150	42,615
Allowances for expected credit losses	(32,081)	(29,773)	(31,870)	(28,831)
Trade receivables - net	91,393	12,846	81,280	13,784
Other receivables *	25,568	22,895	19,797	18,336
Allowances for expected credit losses *	(16,762)	(17,829)	(16,762)	(17,829)
Net Other Receivables	8,806	5,066	3,035	507
Value added tax	-	955	-	955
TOTAL TRADE AND OTHER RECEIVABLES	100,199	18,869	84,315	15,246

*The bulk of other receivables (P17 million) relates to debtors which are a result of BMC operating the feedlot model which has since been stopped in 2018. Other receivables expected credit losses relate to these debtors.

Movement in the allowances for Expected Credit Losses:

TRADE RECEIVABLES

Allowances for expected credit losses as at beginning of year	29,773	33,554	28,831	31,046
Provision recognized /(reverses) on other receivables	2,308	(3,781)	3,039	(2,215)
Allowances for expected credit losses as at end of year	32,081	29,773	31,870	28,831

OTHER RECEIVABLES

Allowances for expected credit losses as at beginning of year	17,829	17,250	17,829	17,250
Provision (reversed)/recognized on other receivables	(1,067)	579	(1,067)	579
Allowances for expected credit losses as at end of year	16,762	17,829	16,762	17,829

AMOUNTS DUE FROM GROUP COMPANY

Allowances for expected credit losses as at beginning of year	-	-	17,232	17,232
Provision (reversed)/ recognized on amounts due from Group company (Note 23.4)	-	-	(3,241)	-
Allowances for expected credit losses as at end of year	-	-	13,991	17,232
TOTAL MOVEMENT RECOGNIZED IN PROFIT AND LOSS	1,241	(3,202)	(1,269)	(1,636)

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

16. TRADE AND OTHER RECEIVABLES (Continued)

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 Management 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 (2022: 30 days).

TRADE RECEIVABLES SPLIT PER GEOGRAPHICAL REGIONS

	GROUP		COMMISSION	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
EUROPE	55,734	-	55,734	-
SOUTH AFRICA	9,787	14,650	834	14,644
LOCAL	38,522	16,613	37,151	16,613
OTHER MARKETS	14,460	11,358	14,460	11,358
UNITED ARAB EMIRATES	4,971	-	4,971	-
TOTAL	123,474	42,621	113,150	42,615

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, advance payment or other forms of credit insurance. The Group evaluates the concentration 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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

17 CASH AND CASH EQUIVALENTS

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Cash at bank and on hand	10,599	17,607	7,084	4,529
	10,599	17,607	7,084	4,529

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

	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Bank overdrafts comprise:				
<i>Current account overdraft</i>				
First National Bank of Botswana	39,942	21,489	39,942	21,489
	39,942	21,489	39,942	21,489

18.1 BANK OVERDRAFTS AND REVOLVING CATTLE FACILITY

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
<i>Overdraft/Trade Facility</i>				
Bank Overdraft utilised	39,942	21,489	39,942	21,489
Trade finance utilised	179,943	75,632	179,943	75,632
Amount available	23,741	146,645	20,115	142,879
Total facility	243,626	243,766	240,000	240,000

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

18 BANK OVERDRAFTS (continued)

18.1 BANK OVERDRAFTS AND REVOLVING CREDIT 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>	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Botswana Pula denominated	BWP240,000	BWP240 000	BW240,000	BWP240 000
South African Rand denominated- Held with Standard Bank	<u>ZAR-5,000</u>	<u>ZAR 5,000</u>	<u>ZAR -</u>	<u>ZAR -</u>

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

- (i) An irrevocable unconditional Government guarantee for BWP300 000 000 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 2023, the total amount utilized from the facilities was P220 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 – P200 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 – P40 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 – P25 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 must 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 2023

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 – P12 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 condition's precedent.
- e. **Business Term Loan 2 – P21 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 – P2 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 30th June 2024.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

18 BANK OVERDRAFTS (continued)

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 2023 and 2022.

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Cash at bank and in hand (Note 17)	10,599	17,607	7,084	4,529
	10,599	17,607	7,084	4,529
Bank Overdrafts (Note 18)	(39,942)	(21,489)	(39,942)	(21,489)
Cash and cash equivalents	(29,343)	(3,882)	(32,858)	(16,960)

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

19. TOTAL BORROWINGS RECONCILIATION

	Consolidated		Commission	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
a) AUTO FINANCE P 748, 000:				
Capital	622	748	622	748
Interest	-	-	-	-
Total	622	748	622	748
b) LONG TERM LOAN P33 MILLION				
Capital	31,461	-	31,461	-
Interest	824	-	824	-
Total	32,285	-	32,285	-
c) GOVERNMENT LOAN P160 MILLION				
Capital	160,000	160,000	160,000	160,000
Interest	30, 529	24,022	30,529	24,022
Deferred Government grant recognized	(106,666)	(106,666)	(106,666)	(106,666)
Total	86,558	77,356	86,558	77,356
d) GOVERNMENT LOAN P88 MILLION				
Capital	88,000	88,000	88,000	88,000
Interest	16,201	12,643	16,201	12,643
Deferred Government grant recognized	(47, 877)	(47, 877)	(47, 877)	(47, 877)
Total	52,766	52, 766	52,766	52, 766
e) GOVERNMENT LOAN P120 MILLION				
Capital	120,000	120,000	120,000	120,000
Interest	6,645	1,665	6,645	1,665
Deferred Government grant recognized	(41,455)	(41,455)	(41,455)	(41,455)
Total	80,210	80, 210	80,210	80, 210
TOTAL GOVERNMENT LOANS	225,377	210,332	225,377	210,332

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

19. TOTAL BORROWINGS RECONCILIATION (continued)

	Consolidated		Commission	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
TOTAL BORROWINGS	258,284	211,081	258,284	211,081
Long Term	236,791	210,942	236,791	210,942
Short Term	21,493	139	21,493	139
Total	258,284	211,081	258,284	211,081

The re-negotiations of the Government loans in 2022 (the P88 million and the P160 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 – P748,000** - the applicable interest for the facility is the prime rate plus 2% (8.510%) 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) **LONG TERM LOAN P33 MILLION**- a loan of P33 million was issued at an annual rate of prime plus 2% (8.510%) and is repayable over ten (7) years. The last instalment is in July 2030 and is secured against the Government guarantee of P300 million held in favour of First National Bank of Botswana.
- c) **GOVERNMENT LOAN P160 MILLION** - a loan of P160 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 re – negotiated 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.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

19. TOTAL BORROWINGS RECONCILIATION (continued)

- d) **GOVERNMENT LOAN P88 MILLION** - a loan of P88million 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.

- e) **GOVERNMENT LOAN P120 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.

20. DEFERRED TAX ASSET / (LIABILITY) RECONCILIATION

DEFERRED TAXATION

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Balance at beginning of year	6,367	5,069	-	-
Taxable / (deductible) temporary difference movement - land and buildings	121	149	-	-
Taxable / (deductible) temporary difference – utilization of prior year assessed loss	1,297			
Taxable / (deductible) temporary difference - plant and equipment	(353)	300	-	-
Taxable / (deductible) temporary difference - prepayments	155	(1)	-	-
Taxable / (deductible) temporary difference – leases	21	31	-	-
Taxable / (deductible) temporary difference movement - provisions	763	(318)	-	-
Taxable / (deductible) temporary difference movement – short-term lease	(12)	124	-	-
Taxable / (deductible) temporary difference movement – SARS interest	17			
Taxable / (deductible) temporary difference movement – assessed tax loss not utilised	(135)		-	-
Taxable / (deductible) temporary difference movement – donations	(1)			
Exchange differences	-591	1,013	-	-
Balance at end of year	7,650	6,367	-	-

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

20. DEFERRED TAX ASSET / (LIABILITY) RECONCILIATION (continued)

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Deferred Tax Liability				
Accelerated Depreciation for tax purposes	2,255	1,329	-	-
Prepaid expenses	155	-	-	-
Interest on SARS	-	27	-	-
Revaluation of assets	5,765	6,250	-	-
Total Deferred Tax Liability	8,175	7,605	-	-

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Deferred Tax Asset				
Leases	390	476	-	-
Provisions	-	763	-	-
Assessed tax loss not utilized	135			
Total Deferred Tax Asset	525	1,239	-	-

The deferred tax asset and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	8,175	7,605	-	-
Deferred tax asset	(525)	(1,239)	-	-
Total Net Deferred Tax Liability	7,650	6,367	-	-

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

21 TRADE AND OTHER PAYABLES

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Trade payables	128,491	27,552	130,330	30,202
Accrued expenses	5,876	5,857	3,111	4,104
Payroll accruals	17,242	21,289	17,138	21,289
Customer refunds*	-	14,853	-	14,853
Withholding tax payable**	11,853	8,016	11,771	8,035
Vat Payable	4,790	-	5,566	-
Advance from Government -Stewed Steak ***	30,000	14,198	30,000	14,198
Advance from Government- Ministry of Agriculture****	30,608	-	30,608	-
Other payables*****	6,318	1,827	6,507	1,378
Provisions*****	-	658	-	-
Total	235,178	95,250	235,031	94,059

***CUSTOMER REFUNDS:**

In the prior year 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 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- STEWED STEAK:**

The balance of P30 million was received against the Stewed Steak Contract and the advance is recoverable monthly through goods delivered to the Ministry of Local Government and Rural Development effective April 2024 to December 2024. A total of P14 million was also recognised as revenue in the current year as part of the P179 million total revenue recognized for the supply of stewed steak in 2023 (2022: P77 million). This is not a deferred revenue contract and as such revenue is recognized upon delivery of goods to the customer.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

21 TRADE AND OTHER PAYABLES continued

*****ADVANCE FROM GOVERNMENT- STEWED STEAK: continued**

Below is the reconciliation for the Advance from Government – Stewed Steak

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Opening Balance	14,198	49,352	14,198	49,352
Additions	30,000	-	30,000	-
Revenue recognised	(14,198)	(28,063)	(14,198)	(28,063)
Closing Balance	30,000	14,198	30,000	14,198

******ADVANCE FROM GOVERNMENT- MINISTRY OF AGRICULTURE:**

A total of P30.6 million was advanced by the Ministry of Agriculture against the anticipated proceeds from production of stewed steak utilising cattle slaughtered as part of the depopulation strategy post an outbreak of Foot and Mouth affected cattle in Zone 6B region, in order to eradicate and control the disease. The advance is to be repaid to the Government in 2024.

*******OTHER PAYABLES**

Amounts deducted from employees and farmers payable to financial institutions.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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21 TRADE AND OTHER PAYABLES continued

******* PROVISIONS**

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
SARS provision Reconciliation				
Opening Balance	658	1,434	-	-
Movement during the year	(658)	(776)	-	-
Closing balance	-	658	-	-

The claim that SARS had against the bonded warehouse of the Company which emanated from the 2019 financial year has been closed off, the Company managed to produce evidence and convince SARS against the allegations, after which SARS issued a letter of clearance of any wrongdoing and obligation and the matter was closed in the current year. The movement in provision is a result of reversals made in the current and prior year through the statement of profit and loss.

CREDIT PERIOD:

The average credit period for trade payables is 60 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.

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

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 2022 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.

	Consolidated		Commission	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Debt				
Bank Overdrafts (Note 18)	39,942	21,489	39,942	21,489
Government loans (Note 19)	225,377	210,332	225,377	210,332
Auto finance	622	748	622	748
Revolving credit facility	179,943	75,632	179,943	75,632
Total Debt	445,884	308, 201	445,884	308, 201
Cash and cash equivalents (note 17)	(10,599)	(17,607)	(7,084)	(4,529)
Net debt (i)	435,285	290,595	438,800	303,673
Reserves (ii)	296,258	368,708	122,703	210,594
Gearing Ratio	0.61	0.47	0.79	0.60

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

22. FINANCIAL INSTRUMENTS (Continued)

Gearing (Continued)

- 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 Group and Commission's financial assets are classified and measured at amortized costs.

Financial assets	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
Amortized cost	P'000	P'000	P'000	P'000
Trade receivables and other receivables	100,199	17,321	84,315	14,278
Amounts due from Group Companies	-	-	1,383	2,830
Cash and Cash equivalents	10,599	17,607	7,084	4,529
Total	110,798	34,928	92,782	21,637

Financial liabilities

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Trade payables	134,809	28,947	136,836	31,581
Borrowings	252,441	211,080	252,441	211,080
Amounts due to group companies	-	-	109,645	98,978
Revolving cattle facility	179,943	75,632	179,943	75,632
Bank Overdrafts	39,942	21,489	39,942	21,489
Total	607,135	337,148	718,807	438,760

Finance costs

Financial liabilities at amortized cost	29,305	19,824	33,241	23,210
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Finance income

Loans and receivables	258	10	17	10
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BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

22 FINANCIAL INSTRUMENTS (Continued)

22.1 Categories of financial instruments (continued)

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 2023, 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>	
	2023	2022	2023	2022
Total credit risk comprises:	P'000	P'000	P'000	P'000
Cash and cash equivalents	10,599	17,607	7,084	4,529
Trade and other receivables	100,199	16,743	84,315	13,698
Total maximum exposure	110,798	34,350	91,399	18,227

Set out below is information about the credit risk exposure on the Group and Commission's trade receivables assets using a provision matrix:

COMMISSION

2023

	DAYS PAST DUE				TOTAL
	CURRENT	31-60 Days	61-90 Days	Over 90 days	
Expected Credit Loss Rate	0.01%	0.02%	0.58%	91,68%	
	P'000	P'000	P'000	P'000	P'000
Estimated Total Gross Carrying Amount at Default	67,504	9,528	1,373	34,745	113,150
Expected Credit Loss	7	2	8	31,853	31,870

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

22. FINANCIAL INSTRUMENTS (Continued)

22.2 Credit risk (continued)

2022

	DAYS PAST DUE				
	CURRENT	31-60 Days	61-90 Days	Over 90 days	TOTAL
	P'000	P'000	P'000	P'000	P'000
Expected Credit Loss Rate	1%	5.00%	3.00%	100.00%	
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

GROUP

2023

	DAYS PAST DUE				
	CURRENT	31-60 Days	61-90 Days	Over 90 days	TOTAL
	P'000	P'000	P'000	P'000	P'000
Expected Credit Loss Rate	0.01%	0.02%	0.38%	86.88%	
Estimated Total Gross Carrying Amount at Default	71,770	12,451	2,346	36,907	122,318
Expected Credit Loss	7	2	9	32,063	32,081

2022

	DAYS PAST DUE				
	CURRENT	31-60 Days	61-90 Days	Over 90 days	TOTAL
	P'000	P'000	P'000	P'000	P'000
Expected Credit Loss Rate	4%	6%	10%	100%	
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

The Group's collection rate has improved in 2023, resulting in reduced expected credit losses recognized in 2023. However, for the Commission, the debtor's collection rate of debtors above 90 Days reduced resulting in increased expected credit losses recognized.

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

22.3 EXPECTED CREDIT LOSSES RECONCILIATION - 2023

	<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
TRADE RECEIVABLES:				
1-Jan-23	42,620	29,773	42,614	28,831
New Assets originated or purchased	512,177	2,308	495,630	3,039
Payments and assets derecognized	(428,367)		(422,631)	
Foreign exchange effects	(2,956)		(2,463)	
31-Dec-23	123,474	32,081	113,150	31,870
OTHER RECEIVABLES:				
1-Jan-23	22,895	17,829	18,336	17,829
New Assets originated or purchased	4,232	47	3,020	47
Payments and assets derecognized	(1,559)	(1,114)	(1,559)	(1,114)
31-DEC-23	25,568	16,762	19,797	16,762
AMOUNTS DUE FROM GROUP COMPANIES:				
1-JAN-23 (Note 23.4)			20,062	17,232
New Assets originated or purchased			-	-
Payments and assets derecognized			(4,688)	(3,241)
31-DEC-23			15,374	13,991
TOTAL ECL CHARGE FOR THE YEAR	-	1,241	-	(1,269)

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

22. FINANCIAL INSTRUMENTS (Continued)

22.4 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
TRADE RECEIVABLES				
1-Jan-22	62,388	33,554	55,461	31,046
New Assets originated or purchased				
Payments and assets derecognized	301,069	-	297,483	-
Foreign Exchange effects	(315,481)	(3,781)	(305,867)	(2,215)
	(5,356)	-	(4,463)	
31-Dec-22	42,620	29,773	42,614	28,831
OTHER RECEIVABLES				
1-Jan-22	23,896	17,250	19,885	17,250
New Assets originated or purchased				
Payments and assets derecognized	-	579	-	579
	(1,001)	-	(1,549)	-
31-Dec-22	22,895	17,829	18,336	17,829
AMOUNTS DUE FROM GROUP COMPANIES				
1-Jan-22	-	-	18,317	17,232
New Assets originated or purchased (Note 23.4)			1,745	-
31-Dec-22			20,062	17,232
TOTAL ECL CHARGE FOR THE YEAR	-	(3,202)	-	(1,636)

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

22. FINANCIAL INSTRUMENTS (Continued)

22.5 Fair value hierarchy of financial instruments

The table below analyses financial instruments carried at amortized costs, by valuation method as at 31 December 2023. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

Group	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
At 31 December 2023				
Borrowings			(437,570)	(437,570)
			(437,570)	(437,570)
At 31 December 2022				
Borrowings	-		(407,079)	(407,079)
	-		(407,079)	(407,079)
Commission				
At 31 December 2023				
Borrowings			(437,570)	(437,570)
			(437,570)	(437,570)
At 31 December 2022				
Borrowings	-		(407,079)	(407,079)
	-		(407,079)	(407,079)

Valuation Techniques Applied:

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

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

Significant Inputs

- Interest Rate for Government loan is 2.65 % for both the P160 Million and P88 Million loan
- Interest Rate for Government loan is 4.15% for the P120 Million loan.
- Interest Rate for Long Term Loan is prime + 2% (8.51%) for the P33 Million loan.
- Interest Rate for Auto Finance is prime +2% (8.51%).

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.

Increase / Decrease in exchange rates:		Effect on profit before tax and Equity		Effect on profit before tax and Equity	
		<u>Consolidated</u>		<u>Commission</u>	
		2023	2022	2023	2022
		P'000	P'000	P'000	P'000
GBP	+5%	(1,543)	(126)	(1,587)	(1,375)
USD	+5%	-	-	(3,527)	(3,251)
ZAR	+5%	337	580	406	1,459
EURO	+5%	1,617	11	1,617	0.1
NOK	+5%	1,170	-	1,170	-
GBP	-5%	1,543	126	1,587	1,375
USD	-5%	-	-	3,527	3,251
ZAR	-5%	(337)	(580)	(406)	(1,459)
EURO	-5%	(1,617)	(11)	(1,617)	(0,1)
NOK	-5%	(1,170)	-	(1,170)	-

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

22. FINANCIAL INSTRUMENTS (Continued)

22.6 MARKET RISKS (Continued)

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.

	<u>Consolidated</u>		<u>Commission</u>	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Profit or loss	<u>293.05</u>	<u>198.24</u>	<u>332,41</u>	<u>232.10</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.

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

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

22. FINANCIAL INSTRUMENTS (Continued)

22.6.3 Liquidity risk management (continued)

COMMISSION 2023

	Carrying Contractual amount	Cashflows	Within 1 year	2-5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Interest bearing loans and borrowings	437,570	(547,519)	(28,663)	(140,732)	(378,124)	(547,519)
Bank Overdraft	39,942	(39,942)	(39,942)	-	-	(39,942)
Trade Finance	179,943	(179,943)	(179,943)	-	-	(179,943)
Trade Payables	235,031	(235,031)	-	-	-	(235,031)
Amounts due to Group companies	109,645	(109,645)	-	-	-	(109,645)
TOTAL	1,002,131	(1,112,080)	(248,548)	(140,732)	(378,124)	(1,112,080)

GROUP 2023

	Carrying Contractual amount	Cashflows	Within 1 year	2-5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Interest bearing loans and borrowings	437,570	(547,519)	(28,663)	(140,732)	(378,124)	(547,519)
Bank Overdraft	39,942	(39,942)	(39,942)	-	-	(39,942)
Trade Finance	179,943	(179,943)	(179,943)	-	-	(179,943)
Trade Payables	235,178	(235,178)	(235,178)	-	-	(235,178)
Lease liabilities	1,237	(1,387)	(750)	(637)	-	(1,387)
TOTAL	893,870	(1,003,969)	(484,329)	(141,369)	(378,124)	(1,003,969)

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

22. FINANCIAL INSTRUMENTS (Continued)

22.6.3 Liquidity risk management (continued)

GROUP 2022

	Carrying Contractual amount	Cashflows	Within 1 year	2-5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Interest bearing loans and borrowings	407,079	(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)
TOTAL	600,041	(699,513)	192,376	(150,408)	(356,729)	(699,513)

COMMISSION 2022

	Carrying Contractual amount	Cashflows	Within 1 year	2-5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Interest bearing loans and borrowings	407,079	(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)
TOTAL	697,237	(796,517)	(290,357)	(149,431)	(356,729)	(796,517)

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

23. RELATED PARTY TRANSACTIONS AND BALANCES

	Commission	
	2023	2022
	P'000	P'000
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		
The following related party transactions were entered:		
23.1 Services charges		
Management fees Payable - Botswana Meat Commission (UK) Holdings Limited (subsidiary)	1,767	1,709
Storage expenses Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	7,234	1,826
Management fees Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	1,268	1,340
Management fees Receivable - Mainline Carriers Botswana (Proprietary) Limited (subsidiary)	(360)	(360)
	<u>9,909</u>	<u>4,575</u>
23.2 Interest paid		
Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	(3,660)	(3,371)
BMC UK Holdings Limited (Subsidiary)	(424)	(428)
	<u>(4,084)</u>	<u>(3,799)</u>
23.3 Subventions received from Government	<u>29,520</u>	<u>23,520</u>

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

23.4 Amounts due from Group companies

	2023	<u>Commission</u>	2022
	P'000		P'000
BMC UK Holdings Limited (Subsidiary)	120		181
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	15,254		19,881
	15,374		20,062
Allowances for expected credit losses	(13,991)		(17,232)
	1,383		2,830

These are with regards 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

	2023	<u>Commission</u>	2022
	P'000		P'000
BMC Meat Importers Limited, Guernsey (subsidiary)	20,509		18,207
Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	70,533		65,010
BMC UK Holdings Limited (subsidiary)	10,103		6,943
Mainline Carriers (Proprietary) Limited (subsidiary)	8,339		8,657
Lobatse Leathers (Proprietary) Limited (subsidiary)	161		161
	109,645		98,978

Amounts due to Group companies has been include under movements in working capital in the statements of cashflows as the loans granted are used to finance working capital.

Refer to Note 24

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

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.

	Commission	
	2023	2022
	P'000	P'000
23.6 Related party balances included in receivables		
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	-	6
	<u>-</u>	<u>6</u>

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

23.7 Transactions related to Board of Commissioners		
Commissioners' Fees	<u>518</u>	<u>401</u>
Paid to:		
Mr. Boyce. O. Mhutsiwa	<u>92</u>	<u>40</u>
Mr. Moraki Mokgosana	<u>38</u>	<u>32</u>
Mr. Godfrey Mosimaneotsile	<u>43</u>	<u>31</u>
Ms. Gorata Gabaraane	<u>-</u>	<u>31</u>
Mr. Christian. R. Lemcke	<u>-</u>	<u>3</u>
Mr. Mbaakanyi Lenyatso	<u>47</u>	<u>31</u>
Mr. Bonolo Montle	<u>47</u>	<u>83</u>
Ms. Shameela Winston	<u>138</u>	<u>69</u>
Dr. James Sento	<u>109</u>	<u>70</u>
Mr. Joseph. B. Akoonyatse	<u>3.6</u>	<u>11</u>
Producer payments - Cattle Slaughter (Commission and consolidated)	<u>5,037</u>	<u>590</u>

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

23.8 Transactions related to key management personnel

Remuneration	Commission	
	2023	2022
	P'000	P'000
Employment benefits - Chief Executive Officer	1,238	671
Employment benefits - key management personnel -Executive Management	5,167	5,234
	6,405	5,905
Producer payments - Cattle Slaughter (Commission and consolidated)	89	-

24. NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated		Commission	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Operating Activities				
Loss before taxation:	(77,349)	(105,472)	(87,891)	(102,455)
Adjustments for:				
Reversal of impairment of property, plant & equipment		(34,693)	-	(34,693)
Depreciation of property, plant and Equipment	19,291	8,159	18,228	6,975
Depreciation of Right of Use Asset	493	534	-	-
Loss on disposal of property, plant and equipment	861	(3)	-	(3)
Effects of changes in foreign exchange rates	19,405	13,196	8,079	1,370
Other Income	(16,742)	(4,892)	(15,746)	(1,373)
Finance costs	29,305	19,824	33,240	23,210
Finance income	(258)	(10)	(17)	(10)
	(24,994)	(103,357)	(44,107)	(106,979)
Movements in working capital				
Increase in inventories	(179,256)	(76,051)	(176,854)	(75,998)
Decrease /(Increase) in amounts due from group companies	-	-	1,447	(1,745)
(Increase) /Decrease in trade and other receivables and prepayments	(81,743)	20,454	(68,982)	15,155
Increase /(Decrease) in trade and other payables	140,927	(34,715)	140,972	(24,548)
Increase in the Cattle revolving facility	104,311	75,632	104,311	75,632
Increase in amounts due to group companies		-	10,667	12,644
	(15,761)	14,680	11,561	1,140
Cash used in operations	(40,755)	(118,037)	(32,546)	(105,839)

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

25. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group and Commission 2023

	1-Jan-23	Loan Received	PRINCIPAL REPAYMENT	INTEREST	INTEREST PAYMENT	31-Dec-23
	P'000	P'000	P'000	P'000	P'000	P'000
Current Interest-bearing loans						
Botswana Government Loans	210,332	-	-	15,045	-	225,377
Auto Finance						
First National Bank of Botswana	748	-	(126)	56	(56)	622
Long Term Loan						
First National Bank of Botswana	-	33,000	(1,179)	1,287	(823)	32,285
Total Liabilities from Financing	211,080	33,000	(1,305)	16,388	(879)	258,284

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 2023

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

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
Current Interest-bearing loans							
Botswana Government Loans	274,367	120,000	-	11,963	(195,998)	-	210,332
Auto Finance							
First National Bank of Botswana		803	(54)	29	-	(29)	748
Total Liabilities from Financing	274,367	120,803	(54)	11,991	(195,998)	(29)	211,081

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 2023

26. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

i. Amendments to IFRS 16: Lease Liability in a Sale and Leaseback- Effective 1 January 2024

The amendment specifies the requirements that a seller – lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller -lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The standard will be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

The amendments are not expected to have any material impact to the Group's financial statements.

ii. Amendments to IAS 1: Classification of Liabilities as Current or Non-current Effective 1 January 2024

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.

The amendment must be applied retrospectively and is not expected to have any material impact to the Group's financial statements.

iii. Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 Effective 1 January 2024

Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements which is intended to assist users of the financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are not expected to have a material impact on the Group's financial statements.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

26 **STANDARDS ISSUED BUT NOT YET EFFECTIVE** Continued

iv. Lack of exchangeability – Amendments to IAS 21
Effective 1 January 2025

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are not expected to have a material impact on the Group's financial statements.

27. **EVENTS AFTER THE REPORTING PERIOD**

Non-Adjusting Events

There were no adjusting events after the reporting period.

Adjusting Events

There were no adjusting events after the reporting period.

28. **GOING CONCERN**

The Group and the Commission reported a total loss for the year of P80 million (2022: Loss of P105 million) and Loss of P88 million (2022: Loss P102 million), respectively. The total comprehensive loss for the Group and Commission is P72 million (2022: income P539 million) and loss of P 88 million (2022: income P534 million), respectively. The accumulated losses of the Group and Commission amount to P1.6 billion (2022: P1.5 billion) and P1.6 billion (2022: P1.5 billion), respectively. While the Group and the Commission reported losses for the current year, this is an improvement in performance when one compares the results with those recorded in the prior year.

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 providing financial support to the Commission.

The Government has also demonstrated its support through investing in the BMC a capital injection of **P390 million** to enhance the performance of the Commission. The Shareholder has committed a total of **P390 million** for the following two projects which will not only improve the balance sheet but will also contribute to increased revenues from value addition:

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

28. GOING CONCERN continued

- Construction and commissioning of a new Meat Value – Addition and Secondary Processing Plant at a cost of **P230 million** in the financial year 2024/2025 which will enhance the value of BMC products and allow the Commission to export canned products and thus creating more value to the Shareholder and ultimately benefiting the primary producer through increased cattle prices and shorter turnaround time for payments.
- Revitalization of the Tannery plant at a cost of **P160 million** which will unlock value of the nonperforming resulting in high returns on the sale of hides.

Both these projects are aligned to the BMC Meriting Strategy 2022 to 2025 and will result in optimization of the BMC processes ultimately allow the Group to achieve total revenue of P2 billion by the year 2025.

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.

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

The Commission reported a loss of P88 million for 2023 financial year (2022: a loss of P102 million), other comprehensive income/(loss) was nil for 2023 of (2022: P636 million) and has accumulated losses of P1.6 billion (2022: P1.5 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 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.

It is however important to note that the revitalization of the Tannery Plant and construction and commissioning of the new BMC Meat Value Addition and Secondary Processing Plant will ensure compliance going forward and return the Commission to a profit-making entity.