



**Botswana
Meat
Commission**
Meat Perfection Defined

ANNUAL CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

BOTSWANA MEAT COMMISSION

COMMISSIONERS' RESPONSIBILITY STATEMENT AND APPROVAL OF FINANCIAL STATEMENTS for the year ended 31 December 2021

GENERAL 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. The premises are an integrated complex housing; an abattoir and cannery, by – products, and tannery Plants. Besides owning three (3) abattoirs in Botswana, BMC 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.

Board of Commissioners:

Mr. Oboile. B. Mhutsiwa	Chairperson (Appointed May 2021)
Mr. Victor. Senye	Chairperson (Resigned February 2021)
Mr. Moraki Mokgosana	Member
Mr. Tshepo Masire	Member (Deceased June 2021)
Mr. Thabang. L. Botshoma	Member
Mr. Godfrey Mosimaneotsile	Member
Ms. Gorata Gabaraane	Member
Mr. Christian. R. Lemcke	Member
Mr. Mbaakanyi Lenyatso	Member (Appointed May 2021)
Mr. Bonolo Montle	Member (Appointed May 2021)
Ms. Shameela Winston	Member (Appointed May 2021)
Dr. James Sento	Member (Appointed May 2021)
Mr. Joseph.B. Akoonyatse	Member (Appointed May 2021)

Executive Management:

Dr.B. Mogome – Maseko	Chief Executive Officer (Acting)(Resigned June 2021)
Mr. L.Q. Nkani	Chief Financial Officer
Mr. B. Saudu	Chief Technical Officer (Acting)
Mr. A. Ngwigwa	Manager, Human capital (Acting)
Ms. O. Lepotlako	Manager, Compliance (Acting)

Board Secretary:

Mr. Osca. Ogone. Mokoko. Gaboutloelwe

BOTSWANA MEAT COMMISSION

**COMMISSIONERS' RESPONSIBILITY STATEMENT AND APPROVAL OF FINANCIAL STATEMENTS
for the year ended 31 December 2021**

Independent Auditors:

Ernst & Young
P O Box 41015
Gaborone
Botswana

Bankers:

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

BOTSWANA MEAT COMMISSION

**COMMISSIONERS' RESPONSIBILITY STATEMENT AND APPROVAL OF FINANCIAL STATEMENTS
for the year ended 31 December 2021**

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BOTSWANA MEAT COMMISSION

COMMISSIONERS' RESPONSIBILITY STATEMENT AND APPROVAL OF FINANCIAL STATEMENTS for the year ended 31 December 2021

Commissioners' Responsibility Statement

The Commissioners' 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 2021, and a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Botswana Meat Commission Act (Chapter 74:04) (as amended).

The Commissioners are required by the Botswana Meat Commission Act (Chapter 74:04) (as amended), to maintain adequate accounting records and are responsible for the content and integrity of the financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group and Commission as at the end of the financial year and the results of their operations and cash flows for the year then ended, in conformity with IFRS.

The Commissioners' responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The consolidated and separate financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Commissioners' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Commissioners acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the Commissioners to meet these responsibilities, the Board of Commissioners sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing, and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Commissioners are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements.

BOTSWANA MEAT COMMISSION

**COMMISSIONERS' RESPONSIBILITY STATEMENT AND APPROVAL OF FINANCIAL STATEMENTS
for the year ended 31 December 2021**

However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The Board of Commissioners is primarily responsible for the financial affairs of the Group and Commission.

The Group and Commission have reported a loss of P112.05 million and P117.38 million, respectively (2020: a loss of P2.2 million and profit of P3.2 million, respectively), and the accumulated losses amounted to P1,431 million and P1,451 million, respectively (2020: P1,314 million and P1,333 million respectively). The going concern of the Group and Commission is dependent on the initiatives disclosed in note 31 of the financial statements. The Government of Botswana has committed to continue offering financial support to the Group and Commission and the Commissioners believe that the going concern principle is an appropriate basis for preparation of the financial statements. The going concern was further assessed taking into consideration the possible impact of Covid-19 on the operations.

The impact of Covid -19 on the Group and the Commission is disclosed under Note 25 of the financial statements.

Disclosure of Audit Information

These 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 Commissioners as at the date of approval of this report confirms that:

In so far as the Commissioner is aware, there is no relevant audit information of which the Commission's Auditor is unaware; and

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

Commissioner's Approval of the Financial Statements

The consolidated and separate financial statements set out on pages 10 to 75 which have been prepared on the going concern basis, were approved, and authorised for issue by the Board of Commissioners on 07th July 2022 and are signed on behalf of the Group and the Commission by:



Commissioner



Commissioner

Independent Auditor's Report

To the Commissioners Botswana Meat Commission

Report on the Audit of the Annual 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 75 which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in reserves and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Botswana Meat Commission as at 31 December 2021, and of its consolidated and separate financial performance and of its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Meat Commission Act (Chapter 74:04) (as amended).

Basis for Opinion

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

Material Uncertainty Relating to Going Concern

We draw attention to the going concern note of the consolidated and separate financial statements, which indicate that the Group and Commission reported a total deficit of BWP 112 million and BWP 117 million respectively and the accumulated deficits for the Group and Commission of BWP 1.431 million and BWP 1.451 million respectively for the year then ended. The Group and Commission are unable to secure sufficient volumes of supply to produce sufficient revenues to cover costs and the Group and Commission are therefore dependent on the Government of Botswana for ongoing financial support. These conditions, along with other facts in note 26, *Going Concern*, 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>Impairment of non-current assets</p> <p>At 31 December 2021 the Botswana Meat Commission performed an impairment assessment on the business as per the requirements of IAS 36 <i>Impairment of assets</i>. IAS 36 requires that at the end of each reporting period, an entity has to assess whether there is any indication that an asset may be impaired (i.e. its carrying amount being higher than its recoverable amount).</p> <p>Botswana Meat Commission performed an impairment assessment by performing the following:</p> <ul style="list-style-type: none"> • Assessing the recoverable amount through determination of a fair value less cost to sell range and comparing this to the carrying amount. The value-in-use for the three cash generating units (CGU) calculated using a discounted cash flow model resulted in negative cash flows with the key driver being negative margins during the explicit and terminal period for the CGU assessment, thus management defaulted to determining the fair value less cost to sell assessment in accordance with IFRS 13; and • Sensitivity analysis over the fair value less cost to sell calculation, by varying the assumptions used, (control premium, comparable peer companies size adjustments, country risk premiums, net debt items, and the marketability discount and cost to sell). <p>The impairment assessment of Botswana Meat Commission was considered to be a 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 carrying amount of the Group.</p> <p>This necessitated the involvement of our internal valuation specialists and increased discussions with management during the audit.</p> <p>The disclosures associated with the impairment of assets are set out in the financial statements:</p> <ul style="list-style-type: none"> - The "accounting policies", - Note 8,1 Property, Plant and Equipment Consolidated - Note 8.4 - Impairment 	<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 assessed the appropriateness of the accounting policies and impairment methodologies applied by comparing these to the requirements of IAS 36 <i>Impairment of assets</i>. <p>We utilised our internal valuation specialists, to evaluate the appropriateness of the approach adopted by management in the fair value measurements and conformity to applicable requirements of IAS 36 <i>Impairment of assets</i>. With the assistance of the specialists:</p> <ul style="list-style-type: none"> • We critically assessed the Impairment model developed by management including the assessment of key judgements and assumptions applied in the determination of the enterprise value to revenue assessment. • We tested the mathematical accuracy of the model used by management. • We assessed the reasonableness of the significant assumptions applied such as the use of the comparable peer companies, the size adjustment of the comparable peer companies, the control premium, the country risk premium, the adjustments to the net debt items, the marketability discount and cost to sell. The comparable companies that EY used in the analysis were profit making, a discount of 20% to 25% was used to adjust for the loss-making position of Botswana Meat Commission against these profitable comparable companies. • We independently determined the enterprise value and adjusted it for the following net debt items in line with valuation standards and practice: <ul style="list-style-type: none"> ○ Cash and cash equivalents ○ Bank overdrafts ○ Investments ○ Long-term borrowings • We also assessed the adequacy of the disclosures by comparing those to the requirements of IAS 36 <i>Impairment of Assets</i>, in the notes to the financial statements.

Other Information

The Commissioners are responsible for the other information. The other information comprises the information included in the 75-page document titled "Botswana Meat Commission Annual Consolidated and Separate Financial Statements for the year ended 31 December 2021" and comprises the Commissioners Report which includes the Commissioners' Responsibility Statement. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the Commissioners for the Consolidated and Separate Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude on the appropriateness of the Commissioners' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Botswana Meat 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 Commission and/or Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Botswana Meat Commission audit. We remain solely responsible for our audit opinion.

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

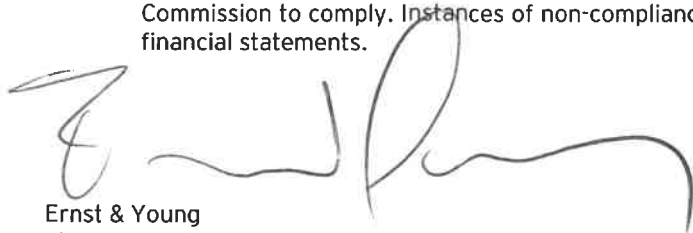
We also provide the Commissioners with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate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

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

Report on other Legal and Regulatory requirements

In accordance with section 20(3) of the Botswana Meat Commission Act (Chapter 74:04) (as amended) we consider and report that in our opinion:

- 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 all provisions of Part 3- Financial Provisions relating to the Commission, of the Botswana Meat Commission Act (Chapter 74:04) (as amended) with which it is the duty of the Commission to comply. Instances of non-compliance are detailed in note 27 in the consolidated and separate financial statements.



Ernst & Young
Firm of Certified Auditors
Practising Member: Bakani Ndwapi CAP 0010 2022

08 July 2022
Gaborone

**BOTSWANA MEAT COMMISSION
STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<u>NOTES</u>	<u>Consolidated</u>		<u>Commission</u>	
		<u>2021</u> <u>P'000</u>	<u>2020</u> <u>P'000</u>	<u>2021</u> <u>P'000</u>	<u>2020</u> <u>P'000</u>
REVENUE FROM CONTRACTS WITH CUSTOMERS	1	206 585	406 149	191 926	394 060
Freight, storage and other selling expenses		(30 138)	(43 524)	(6 656)	(21 335)
Livestock and meat costs	2	(102 746)	(259 229)	(102 746)	(259 229)
NET REVENUE FROM CONTRACTS WITH CUSTOMERS		73 701	103 396	82 524	113 496
Production and administration costs		(217 923)	(241 459)	(199 782)	(238 216)
Impairment of trade and other receivables	13	(2 296)	(8 915)	(19 557)	(7 397)
Government Subvention**		30 232	128 801	30 232	128 801
OPERATING (LOSS) / PROFIT		(116 286)	(18 177)	(106 583)	(3 316)
Other costs and gains (losses)*	4,1	(112)	18 721	(3 457)	21 506
Other income	3	12 979	6 193	9 412	1 394
Finance costs	6	(13 634)	(13 582)	(16 876)	(16 688)
Finance income		304	278	119	278
(LOSS) / PROFIT BEFORE TAXATION		(116 749)	(6 567)	(117 385)	3 174
Taxation	7	755	1 825	-	-
(LOSS) / PROFIT FOR THE YEAR		(115 994)	(4 743)	(117 385)	3 174
Other comprehensive Income/(loss)					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation reserve		3 945	2 525	-	-
Other comprehensive income		3 945	2 524	-	-
TOTAL COMPREHENSIVE (LOSS) /INCOME FOR THE YEAR		(112 048)	(2 218)	(117 385)	3 174

*Other costs and gains (losses) and Other Income are reclassified and are no longer disclosed as part of operations.

**The P30.2 Million was received from the Government to assist working capital requirements. The receipt of this amount is consistent with

**BOTSWANA MEAT COMMISSION
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Notes	Consolidated		Commission	
		2021 P'000	2020 P'000	2021 P'000	2020 P'000
ASSETS					
Non-current assets					
Property, plant and equipment	8	155 970	173 167	99 463	111 599
Right of use assets	9	1 615	2 619	-	-
Investment property	10	5 310	5 310	-	-
Investment in Associates	11	10	10	7 484	7 484
		162 905	181 106	106 947	119 083
Current assets					
Inventories	12	31 911	32 533	31 879	32 429
Trade and other receivables *	13	38 088	27 292	29 658	19 813
Prepayments		3 524	7 312	3 491	7 156
Amounts due from Group Companies	20,6	-	-	1 085	18 791
Cash and cash equivalents	13,1	23 213	72 023	2 135	47 618
		96 736	139 160	68 248	125 807
Total Assets		259 641	320 266	175 195	244 890
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
Development reserve		3 720	3 681	3 720	3 681
Stabilisation reserve		390	390	390	390
Foreign currency translation reserve		7 771	3 825	-	-
Foreign exchange stabilisation reserve		19 294	19 294	-	-
Asset revaluation reserve		181 224	181 224	123 123	123 123
Accumulated deficit		(1 431 026)	(1 314 993)	(1 450 671)	(1 333 247)
Total reserves/(deficit)		(170 707)	(58 660)	(323 632)	(206 247)
LIABILITIES					
Non-current liabilities					
Deferred tax liability	17	5 069	6 316	-	-
Lease liability	9	1 310	2 060	-	-
		6 379	8 376	-	-
Current liabilities					
Taxation payable	7,1	531	520	-	-
Lease liability	9	590	681	-	-
Trade and other payables *	18	128 965	89 254	118 608	93 533
Amounts due to group companies	20,6	-	-	86 336	77 510
Bank overdrafts	15	19 516	17 908	19 516	17 908
Borrowings	16	274 367	262 187	274 367	262 187
		423 969	370 550	498 827	451 137
Total liabilities		430 348	378 926	498 827	451 137
Total reserves and liabilities		259 641	320 266	175 195	244 890

*The 2020 amounts have been reclassified to ensure improved presentation and compatibility. Refer to note 13.1 for further information.

BOTSWANA MEAT COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Consolidated		Commission	
		2021 P'000	2020 P'000	2021 P'000	2020 P'000
CASH FLOWS GENERATED IN OPERATING ACTIVITIES					
Cash (used) in operations	21	(63,797)	(60,222)	(46,244)	(59,840)
Interest paid		(1,152)	(2,078)	(1,152)	(5,183)
Interest Paid (Lease Liability)	9	(301)	(272)	-	-
Taxation (Paid)/ Received	7.1	(486)	(1,675)	-	-
Net cash generated/(used) in operating activities		(65,737)	(64,246)	(47,397)	(65,024)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(458)	(3,108)	(349)	(2,498)
Proceeds on disposal of property, plant and equipment		535	30,969	535	30,969
Finance income		304	278	119	278
Net cash generated/(used) in investing activities		381	28,139	305	28,749
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowings repaid	22	-	(24,172)	-	(24,172)
Borrowings received	22	-	88,000	-	88,000
Payment of Lease Liability - Principal	9	(636)	(2,496)	-	-
Net cash generated from financing activities		(636)	61,332	-	63,828
Net increase/(decrease) in cash and cash equivalents		(65,992)	25,224	(47,092)	27,553
Net foreign exchange difference on cash and cash equivalents		15,573	(2,664)	-	-
Cash and cash equivalents at beginning of year		54,115	31,555	29,710	2,158
Cash and cash equivalents at end of year		3,696	54,115	(17,382)	29,710
Comprising:					
Cash and cash equivalents	13	23,213	72,023	2,135	47,618
Bank overdrafts	15	(19,516)	(17,908)	(19,516)	(17,908)
		3,696	54,115	(17,382)	29,710

**BOTSWANA MEAT COMMISSION
STATEMENTS OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2021**

Consolidated	Notes	Total P'000	Capital reserves P'000	Loan redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Foreign Currency Transition Reserve P'000	Foreign exchange stabilisation reserve P'000	Asset revaluation reserve P'000	Accumulated Surplus (deficit) P'000
Balance at 1 January 2020		(56 442)	707 853	315 066	3 620	390	1 300	19 294	181 224	(1 285 189)
Profit/(Loss) for the year		(4 743)	-	-	-	-	-	-	-	(4 743)
Foreign exchange effect		2 525	-	-	-	-	2 525	-	-	-
Transfers between reserves		-	-	25 000	61	-	-	-	-	(25 061)
Balance at 31 December 2020		(58 659)	707 853	340 066	3 681	390	3 825	19 294	181 224	(1 314 993)
Profit/(Loss) for the year		(115 994)	-	-	-	-	-	-	-	(115 994)
Foreign exchange effect		3 945	-	-	39	-	3 945	-	-	(39)
Transfers between reserves		-	-	-	-	-	-	-	-	-
Balance at 31 December 2021		(170 707)	707 853	340 066	3 720	390	7 771	19 294	181 224	(1 431 026)

Commission	Total P'000	Capital reserves P'000	Loan redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Asset revaluation reserve P'000	Accumulated Surplus/(deficit) P'000
Balance at 1 January 2020	(209 420)	659 740	315 066	3 620	390	123 123	(1 311 359)
Profit/(Loss) for the year	3 174	-	-	-	-	-	3 174
Transfers between reserves	-	-	25 000	61	-	-	(25 061)
Balance at 31 December 2020	(206 247)	659 740	340 066	3 681	390	123 123	(1 333 247)
Profit/(Loss) for the year	(117 385)	-	-	-	-	-	(117 385)
Transfers between reserves	-	-	-	39	-	-	(39)
Balance at 31 December 2021	(323 632)	659 740	340 066	3 720	390	123 123	(1 450 671)

**BOTSWANA MEAT COMMISSION
STATEMENTS OF CHANGES IN RESERVES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Capital Reserves

Capital reserves represents amounts of Grants given by the Shareholder for the upgrade and refurbishment of its various abattoirs being Lobatse, Francistown and Maun.

Loan redemption reserve

Comprises amounts appropriated from income to provide for the repayment of loans as required in terms of the Botswana Meat Commission Act (Chapter 74:04) (as amended). Management has carried out an assessment in 2021 and no provision was made.

Development reserve

In terms of the Botswana Meat Commission Act (Chapter 74:04) (as amended) the Commission shall appropriate amounts to the Development Reserve to a maximum in any one year of P2 per head of cattle slaughtered.

Stabilisation reserve

In terms of the Botswana Meat Commission Act (Chapter 74:04) (as amended) this reserve, which at present may not exceed a total of P70 000 000, may be utilised for stabilisation of livestock prices or for any other purpose which the Commission, with appropriate approval, may determine from time to time.

Foreign currency translation reserve

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

Foreign exchange stabilisation reserve

Represents amounts of GBP250 000 (2020: GBP250 000) and US\$1 500 000 (2020: US\$1 500 000), set aside by certain subsidiaries of the Commission, to be utilised for stabilisation of the impact of foreign exchange fluctuations or for any other purpose which the Commission, with appropriate approval, may determine from time to time.

Asset revaluation reserve

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

1. Introduction

The Group's consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including interpretations issued by the IFRS Interpretations Committee, the Company's Act and the Botswana Meat Commission (BMC) Act.

2. Basis of preparation

The consolidated and separate financial statements are prepared under the historical cost convention except for certain items in the statement of financial position which are measured at revalued amounts or fair values.

The Group prepares consolidated financial statements which include the assets, liabilities and results of the operations of the Botswana Meat Commission and its subsidiaries. To prepare the consolidated financial statements, the audited Financial Statements of all the subsidiaries in Group for the period ended 31st December 2021 are used.

Accounting policies of subsidiaries have been changed at acquisition, where necessary to ensure consistency with the accounting policies adopted by the Group.

The segmental analysis in the segmental disclosure is based on the information reported to the chief decision maker for the respective segments. The information is prepared in accordance with the IFRS and certain adjustments are made to the segment results in order to eliminate the effect of segment specific items that impact certain key ratios reviewed by the chief operating decision maker when assessing the operating performance of the segment.

2.1. Use of judgements and estimates

The preparation of consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. These areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are significant to the Group's financial statements are disclosed in the "Significant accounting judgements and key sources of estimations of uncertainty".

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.

2. Basis of preparation (continued)

2.1. Use of judgements and estimates (continued)

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.

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

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

The Commission makes assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

2.2. Presentation of financial statements

Items included in the financial statements of the Group and Commission are measured using the currency of the primary economic environment in which the Company operates (functional currency). The functional and presentation currency is Botswana Pula (P) and all amounts are presented in thousands of Pula. The Group has a policy of rounding in increments of P1000. Foreign currency transactions of the Group are translated into functional currency using the exchange rates prevailing at the date of the transaction.

2. Basis of preparation (continued)

2.3. COVID – 19

The impact of the spread of COVID – 19 virus continues to be felt across the global economy with a number of governments having to spend significant amounts of money that were not budgeted for to reduce the impact of the pandemic on the economy. The pandemic has had a devastating impact on policies and actions, economic and financial market conditions as well as the general consumer behaviour.

Although the successful rollout of the vaccines is expected to boost the global economic growth, it is difficult to predict the full extent and duration of COVID – 19 and its economic impact.

The BMC Group was also impacted by the continued spread of the COVID – 19 virus as evidenced by the reduced throughput on account of intensified controls to curb the spread of the disease. Additional costs were incurred as the Group had to facilitate employees to work from home in line with the movement protocols that were put in place. The pandemic has in turn had a material impact on the risks that the Group is exposed to, most specifically those used to determine credit risk exposure and demand patterns. The high degree of uncertainty has necessitated the re-assessment of assumptions and existing methods of estimation and judgement used in the preparation of the financial results.

The impact of Covid – 19 on the BMC Group is also disclosed under Note 25 of the Financial Statements.

3. Statement of compliance

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

4. Basis of consolidation

4.1. 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 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;

- a) Identifying the acquirer;
- b) Determining the acquisition date; and
- c) Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non controlling interest in the acquiree.

Subsidiaries are measured at cost at Company 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:

Entities that have significant influence over the Group and subsidiaries of these entities;

Key management personnel (KMP) and close family members of key management personnel. Entities controlled or significantly influenced by KMP.

Key Management personnel are Board of Commissioners and prescribed members of the Executive Management including those of any entities which provide key management personnel services to the Group.

4. Basis of consolidation (continued)

4.2. Investment in Associates

An associate is an entity in which the Commission has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:-

- 4.2.1.** Representation on the Board of Directors or equivalent governing body of the investee;
- 4.2.2.** Participation in policy making processes;
- 4.2.3.** Material transactions between the Group and its investee;
- 4.2.4.** Interchange of managerial personnel; and
- 4.2.5.** Provision of essential technical information.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost less impairment at Company Level. Under the equity method, the Group's share of the post-acquisition profits or losses of associates is recognised in Profit and Loss and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. The associate is measured at cost less impairment in the separate financial statements of the Commission.

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

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

4.3. Investment in Associate Impairment

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired.

4. Basis of consolidation (continued)

4.3. Investment in Associate Impairment (continued)

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

5. Foreign currency transactions

5.1. 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.

5.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

6. Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

Income and expenses for each Profit/Loss item are translated at average exchange rates; and

All resulting exchange differences are recognised as Other comprehensive Income in a separate component of equity in the foreign currency translation reserve.

6. Group Companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised as other comprehensive income. When a foreign entity is sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

7. Inventories

7.1 Finished goods

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

- 7.1.1** Meat stocks are valued at average cost of production for the year;
- 7.1.2** Deboned and processed meat stocks are valued at meat stock costs plus production and processing overheads; and
- 7.1.3** 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.

7.2 Consumable stores

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

8. Property, Plant and Equipment

All categories of property, plant and equipment except for land and buildings and plant and machinery are stated at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of items. Land and buildings and plant and machinery are carried at a revalued amount, being the fair value at the date of revaluation less subsequent depreciation and impairment. The fair values are determined by independent valuers every 3 to 5 years.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

8. Property, Plant and Equipment (continued)

The cost of major renovations is included in the carrying amount of assets when it is possible that future economic benefits will flow to the Group. Major renovations are depreciated over the remaining useful life of the related assets.

Freehold land is not depreciated. Leasehold land is written off over the period of the lease. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives, as presented below;

Buildings	25-40 years;
Leasehold, Land and buildings	the shorter of the lease period or 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 each reporting date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

8.1. 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 exists or may have decreased, If any such indication exists, the recoverable amounts of those assets are estimated.

8. Property, Plant and Equipment (continued)

8.1. Impairment of non-financial assets (continued)

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

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

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

8.2. Useful lives and residual values for property, plant and equipment

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

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

9. Borrowing Costs

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

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

10. Employee Benefits

The Commission operates a defined contribution plan.

10.2. Pension obligations

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

10.3. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

11. Government Grants

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

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

Government grants for 2021 to the Commission totalled P30.2 Million. Out of these funds, P17.6 Million was for augmenting working capital for the Maun Abattoir and with the balance being for utilization by the Lobatse Abattoir.

12. Investment Property

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

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

Transfers are made to (or from) investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

13. Related Parties

Related parties are defined as those parties that:

- (a) directly, or indirectly through one or more intermediaries;
- (b) control, are controlled by, or are under common control with the Commission (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Commission that gives them significant influence over the Commission; or
- (c) are members of the key management personnel of the Commission including close members of their families.

14. Taxation

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

14.1. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Commission is exempt from paying income tax in Botswana.

14.2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end

14. Taxation (continued)

14.2. Deferred tax (continued)

of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

14.3. Current and deferred tax for the period

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (in other comprehensive income or equity as appropriate), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

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

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

14. Taxation (continued)

14.3. Current and deferred tax for the period (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; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

14.4. Uncertainty over Income Tax Treatment

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

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

Deferred tax provisions are adjustments made to the carrying value of deferred tax assets in respect of uncertain tax positions. A deferred tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will result in a reduction in the carrying value of the deferred tax asset. From recognition of a provision, measurement of the underlying deferred tax asset is adjusted to take into account the expected impact of resolving the uncertain tax position on the loss or temporary difference giving rise to the deferred tax asset. The approach taken to measurement takes account of whether the uncertain tax position is a discrete position that will be reviewed by the tax authority in isolation from any other position, or one of a number of issues which are expected to be reviewed together concurrently and resolved simultaneously with a tax authority.

The Group's measurement of provisions is based upon its best estimate of the additional profit that will become subject to tax. For a discrete position, consideration is given only to the merits of that position.

14. Taxation (continued)

14.4. Uncertainty over Income Tax Treatment (continued)

Where a number of issues are expected to be reviewed and resolved together, the Group will take into account not only the merits of its position in respect of each particular issue but also the overall level of provision relative to the aggregate of the uncertain tax positions across all the issues that are expected to be resolved at the same time. In addition, in assessing provision levels, it is assumed that tax authorities will review uncertain tax positions and that all facts will be fully and transparently disclosed.

14.5. Significant accounting estimates and judgements

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

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

15. Revenue from Contracts with Customers

The Group earns its revenue from selling meat and its by-products and offers cold storage and shipping services. The meat and by products and services are sold both on their own in separate identified contracts with customers. Revenue arises mainly from the sale of beef and allied beef products which consist of the following product lines chilled, frozen, carcasses, canned, by-products, hides, and offal's.

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

- 15.1.1.** Identify a contract with a customer;
- 15.1.2.** Identifying the performance obligations;
- 15.1.3.** Determining the transaction prices;
- 15.1.4.** Allocating the transaction price to the performance obligations; and
- 15.1.5.** Recognising revenue when/as performance obligation(s) are satisfied.

15. Revenue from Contracts with Customers (continued)

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

The Commission often enters into transactions involving a range of Commission's products and services, for example "beef and allied beef products" and "cold storage and shipping fees".

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

The Commission recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as "Contract Liabilities" (under trade and other payables) in the statement of financial position. Similarly, if the Commission satisfies a performance obligation before it receives the consideration, the Commission recognises Contract receivables under trade and other receivables in its statement of financial position as there are no other requirements required before the consideration is due other than the passage of time.

15.2. 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.

15.3. Cold storage fees and shipping fees

The Commission's cold storage point in Cape Town operates a cold storage facility and offers shipping services. The cold storage facility and shipping services are considered to be a separate performance obligation as they provide customers with a material right to store and ship their products under controlled conditions they would not have received otherwise.

15. Revenue from Contracts with Customers (continued)

15.3. Cold storage fees and shipping fees (continued)

The Commission 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.

16. Financial Instruments

16.1. Classification

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

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

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

16.2. Initial recognition and measurement

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

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

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

The Group assesses the business model based on the nature of the Financial Instrument. The criteria involved in determining the applicable business model includes:

16. Financial Instruments (continued)

16.2. Initial recognition and measurement (continued)

- (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.

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

16.3. Subsequent measurement

Financial Assets

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

Financial Liabilities

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

16.4. Derecognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset transfers to another entity. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

16. Financial Instruments (continued)

16.5. Impairment of financial assets

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

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

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

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

16.6. Impairment of trade and other receivables

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

16.7. Cash and cash equivalents

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

17. Fair value measurement

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

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

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

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

The classification of an item into the above levels is based on the lowest level of inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. The Group measures a number of items at Fair Value: Investment Property and Property Plant and Machinery.

18. Measurement of the expected credit loss allowance

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

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

Choosing appropriate models and assumptions for the measurement of ECL;

Establishing groups of similar financial assets for the purposes of measuring ECL.

19. 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.

20. Determining the EXPECTED CREDIT LOSS RATE

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

1. Short term receivables are firstly grouped by region.
2. A minimum of 12 months summarized aged analysis of data is required (Debtors payments are allocated before the debtors' aged analysis is generated.
3. The summarized aged analysis is then used to calculate an ECL credit loss rate for each aged bucket in order to develop a provision matrix used to calculate the Expected Credit Loss (ECL) under IFRS 9, the simplified model.

The Net Flow Rate Analysis is based on a markov chain process, the states of the process being the days past due buckets of the debt outstanding. By characterizing several buckets as an indicator for a default, a PD can be calculated as the probability of an outstanding debt to end up in such a bucket.

4. To incorporate the future looking forward information as required by the standard, the, GROSS DOMESTIC PRODUCT (GDP) is used as the macro economic factor.

21. Impairment of non-financial assets

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

Investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the Discounted Cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

22. Inventory Valuation

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

23. Going Concern

The Commission's Management has made an assessment of the Commission's and Group's ability to continue as a going concern. This has been noted on note 31.

24. Leases

The Group leases consists mostly of administrative offices, meat handling property and printers. Leases are individually negotiated and contain a wide range of different terms and conditions on an average of five to ten years although this differs depending on the jurisdiction and type of property.

Some leases will include renewal options, but these are generally renewals at market rates to be negotiated at the time of renewing the contract. These rates will only be included in the lease liability once it is reasonable that the Group will exercise the extension option.

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

Lease liability is measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate at the date of initial application. The Right of Use Asset is determined using the present value of the Lease Liability. The Group uses commercial banks' prime lending rates adjusted to the rate for risks specific 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.

24.1 Short term leases

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

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

24. Leases (continued)

24.2 Low value assets

The Group assesses low value assets on the below basis:

The underlying asset is not highly dependent on, or highly interrelated with, other assets; and

These assets have individual values that are not significant when compared to our other leased assets.

24.3 Right of use assets

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

Any estimated costs to dismantle and remove the underlying asset or the site on which it is located, when the Group incurs an obligation to do so, unless these costs are incurred to produce inventories;

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

Subsequent Measurement of Right-Of-Use Assets

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

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

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

24. Leases (continued)

24.4 Lease liability

The lease liability takes into consideration, where appropriate:

- fixed and variable lease payments;
- residual value guarantees to be made by the lessee;
- exercise price of purchase options;
- lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- payments of penalties for terminating the lease.

The lease liability is presented as a separate line item on the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect lease payments made.

Subsequent Measurement of Lease Liability

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

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);

24. Leases (continued)

24.4 Lease liability (continued)

Subsequent Measurement of Lease Liability (continued)

- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

BMC as lessor: leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification. A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand-alone price of the increase in scope;

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

Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification.

Significant estimates and judgements used

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

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

25. Significant accounting judgements, estimates and assumptions

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

25.1 Judgements

In the process of applying the Group's accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

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

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

Refer to Note 24 for information on leases.

25.2 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.

25.3 Covid-19

Given the inherent level of uncertainty and the sensitivity of judgements and estimates, disclosures of the key assumptions used, and judgements made in estimating recoverable amounts is important. Management will continuously assess the key assumptions used to determine the recoverable amount for the different customers.

25. Significant accounting judgements, estimates and assumptions (continued)

25.4 Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data because of the nature of the properties. In addition, it measures the office properties in Euroland at revalued amounts, with changes in fair value being recognised in OCI. The office properties 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 2021 for the investment properties.

25.5 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.

25.6 Provision for expected credit losses of trade receivables and contract assets

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 and contract assets is disclosed in Note 13.

25.7 Taxes

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

25.8 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 19 for further disclosure

26. Standards, Changes, amendments and interpretations.

(i) Standards, Amendments adopted by BMC for the first time in 2021

There are no applicable new Standards that were applied by the Group and commission for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. The Group and Commission has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(ii) Standards, amendments and interpretations to existing standards not yet effective

Amendment to IAS 1, "Classification of liabilities as Current or Non-Current" (effective date 1 January 2023)

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

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

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

Amendment to IFRS 3, 'Business combinations' Reference to the Conceptual Framework (effective date 1 January 2022) - Not applicable to the Company

The objective of this IFRS is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. It applies to a transaction or other event that meets the definition of business combination.

26. Standards, Changes, amendments and interpretations (continued)

(ii) Standards, amendments and interpretations to existing standards not yet effective(continued)

Amendment to IFRS 9, 'Annual improvement to IFRS Standards 2018- 2020 (effective date 1 January 2022) – Unlikely to have material impact to the Group.

The IASB's annual improvements project provides a streamlined process for dealing efficiently with a collection of amendments to IFRSs. The primary objective of the process is to enhance the quality of standards, by amending existing IFRSs to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights.

Amendment to IAS 16, 'Plant and Equipment Proceeds before intended use' Reference to the Conceptual Framework (effective date 1 January 2022) - Not applicable to the Group.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendment to IAS 37, 'Onerous Contracts – cost of fulfilling a contract (effective date 1 January 2022) - Unlikely to have material impact to the Group.

The standard defines an onerous contract as a contract in which the **unavoidable costs** of meeting the obligations under the contract exceed the economic benefits expected to be received under the contract. Unavoidable costs are the lower of the costs of fulfilling the contract and any compensation or penalties from the failure to fulfill it.

Amendment to IAS 41, 'Annual improvement to IFRS Standards 2018- 2020 (effective date 1 January 2022) - Unlikely to have material impact to the Group.

The primary objective of the process is to enhance the quality of standards, by amending existing IFRSs to clarify guidance on amendments on IFRS 1, IFRS 16, IFRS 9 and IAS 41.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2021

	<u>Consolidated</u>		<u>Commission</u>	
	2021 P'000	2020 P'000	2021 P'000	2020 P'000
1 REVENUE FROM CONTRACTS WITH CUSTOMERS				
Sale of meat and allied meat products	191,926	394,060	191,926	394,060
Shipping	1,702	1,090	-	-
Cold Storage Services	12,956	10,999	-	-
	206,585	406,149	191,926	394,060

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

For the year ended 31 December 2021

	Sale of meat and allied meat products	Shipping	Cold Storage Services	Total
Norway, Europe and United Kingdom	96,845	-	-	96,845
RSA and other SADC countries	12,445	1,702	12,956	27,104
Botswana	82,636	-	-	82,636
Total	191,926	1,702	12,956	206,585

For the year ended 31 December 2020

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

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

	<u>CONSOLIDATED</u>	
	2021	2020
Nordane	79,543	138,833
Jan Zandbergen	-	54,931
Other Customers	127,042	212,385
TOTAL	206,585	406,149

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.

1.3 The Group's revenue disaggregated by Inter Segments:

2021	<u>LOBATSE</u>	<u>MAUN</u>	<u>LOBATSE LEATHERS</u>	<u>BMC UK HOLDINGS</u>	<u>Adjustments & Eliminations</u>	<u>CONSOLIDATED</u>
Revenue	160,126	31,800	16,106	2,118	(3,566)	206,585
Inter Segment	14,601	(14,601)	-	-	-	-
Total Revenue	174,727	17,199	16,106	2,118	(3,566)	206,585
2020						
Revenue	370,209	23,851	15,473	2,905	(6,289)	406,149
Inter Segment	2,872	(2,872)	-	-	-	-
Total Revenue	373,081	20,979	15,473	2,905	(6,289)	406,149

*Revenue from Mainline subsidiary is nil

BOTSWANA MEAT COMMISSION
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1.4. SEGMENT INFORMATION

For Management purposes the Group is organised into business units based on its products and services and has four reportable segments, as follows:

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

2021

	LOBATSE	MAUN	MAINLINE	TABLE BAY COLD STORAGE	BMC UK HOLDINGS	Adjustments & Eliminations	CONSOLIDATED
Revenue	160,126	31,800	-	16,106	2,118	(3,566)	206,585
Inter Segment	14,601	(14,601)	-	-	-	-	-
Total Revenue	174,727	17,199	-	16,106	2,118	(3,566)	206,585
Other Production & Administration Costs	(204,475)	(26,778)	(264)	(8,381)	(1,286)	14,978	(226,205)
Staff Costs	(88,025)	(17,192)	-	(11,110)	(683)	-	(117,011)
Depreciation of Property, Plant & Equipment	(11,443)	(1,041)	-	(5,270)	(6)	-	(17,760)
Depreciation on right of Use-Asset	-	-	-	(1,292)	-	-	(1,292)
Other Income	4,774	4,638	304	7,802	1	(4,116)	13,404
* Government Subventions	12,592	17,640	-	-	-	-	30,232
SEGMENT (LOSS)/PROFIT	(111,850)	(5,534)	40	(2,145)	144	7,296	(112,048)
TOTAL ASSETS	147,426	27,769	15,113	207,683	15,050	(153,400)	259,641
TOTAL LIABILITIES	482,439	16,386	2,757	21,296	2,514	(95,044)	430,348

2020

	LOBATSE	MAUN	MAINLINE	TABLE BAY COLD STORAGE	BMC UK HOLDINGS	Adjustments & Eliminations	CONSOLIDATED
Revenue	370,209	23,851	-	15,473	2,905	(6,289)	406,149
Inter Segment	2,872	(2,872)	-	-	-	-	-
Total Revenue	373,081	20,979	-	15,473	2,905	(6,289)	406,149
Other Production & Administration Costs	(395,100)	(38,878)	(2,250)	(9,579)	(462)	6,775	(439,493)
Staff Costs	(91,615)	(15,223)	-	(11,139)	(611)	-	(118,588)
Depreciation of Property, Plant & Equipment	0	(1,772)	-	(6,409)	(7)	-	(8,188)
Depreciation on right of Use-Asset	-	-	-	(1,271)	(905)	-	(2,176)
*Other Income	22,900	1	117	8,738	411	(890)	31,277
**Government Subventions	104,807	23,994	-	-	-	-	128,801
SEGMENT PROFIT/(LOSS)	14,073	(10,899)	(2,133)	(4,186)	1,331	(404)	(2,218)
TOTAL ASSETS	216,604	28,286	14,590	74,790	15,341	(29,345)	320,266
TOTAL LIABILITIES	439,992	11,145	2,511	17,745	1,356	(93,825)	378,925

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

**The P30.2 Million was received from the Government to assist working capital requirements. The receipt of this amount is consistent with the prior year for both the Group and Commission.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2021

	<u>Consolidated</u>		<u>Commission</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
2 NET LIVESTOCK AND MEAT COSTS				
Opening Inventory (Note 12)	32,533	100,576	32,429	100,472
Livestock and meat purchases	102,125	191,186	102,196	191,186
Cattle purchases	134,657	291,762	134,625	291,658
Closing Inventory (Note 12)	(31,911)	(32,533)	(31,879)	(32,429)
	102,746	259,229	102,746	259,229

3 OTHER INCOME				
Sundry income	12,979	6,193	9,172	1,154
Income from related parties - Management fees	-	-	240	240
	12,979	6,193	9,412	1,394

Sundry Income comprises of insurance claims, rental from subleased property and rental from leased properties.

	<u>Consolidated</u>		<u>Commission</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
4 OPERATING PROFIT/(LOSS)				
OPERATING PROFIT (LOSS) IS STATED AFTER TAKING THE FOLLOWING INTO ACCOUNT:				
4.1 OTHER COSTS and Gains/ (Losses)				
Net exchange (losses)/gains	(648)	(7,217)	(3,992)	(4,431)
Profit on disposal of property, plant and equipment	535	25,938	535	25,938
	(112)	18,721	(3,457)	21,506

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

	2021 P'000	2020 P'000	2021 P'000	2020 P'000
	Consolidated		Commission	
4.2 Production and administration costs	(217,923)	(241,459)	(199,782)	(238,216)
Other Production and administration costs	(78,953)	(95,930)	(79,816)	(113,651)
Depreciation of property, plant and equipment	(17,760)	(22,220)	(12,485)	(15,804)
Depreciation on right- of-use-asset	(1,292)	(2,176)	-	-
Auditor's remuneration	(2,481)	(2,409)	(1,840)	(1,786)
- current	(2,481)	(2,409)	(1,840)	(1,786)
- prior year	-	-	-	-
Commissioners				
- Fees and emoluments	(425)	(137)	(425)	(137)
Staff costs (Note 5)	(117,011)	(118,588)	(105,217)	(106,838)
Impairment of Trade and Other Receivables	(2,296)	(8,915)	(19,557)	(7,397)
Government Subvention	30,232	128,801	30,232	128,801
5 STAFF COSTS				
Wages and salaries	83,627	83,632	67,159	71,882
Pension fund costs (All pension fund costs relate to a defined contribution plan)	7,121	7,278	7,037	7,278
Staff allowances and other staff costs	26,263	27,677	31,021	27,677
	117,011	118,588	105,217	106,838
6 FINANCE COSTS				
Bank overdraft	1,213	1,196	1,152	1,196
Lease Liabilities (Note 9)	240	272	-	-
Borrowings (Note 27)	12,180	12,113	12,180	11,919
Related parties	-	-	3,542	3,572
	13,634	13,582	16,876	16,688

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

	<u>Consolidated</u>		<u>Commission</u>	
	2021 P'000	2020 P'000	2021 P'000	2020 P'000
7 INCOME TAX				
Botswana taxation:				
- current year	11	(602)	-	-
	11	(602)	-	-
Foreign taxation:				
- current taxation	498	846	-	-
- deferred taxation (Note 17)	(1,264)	(2,070)	-	-
	(767)	(1,224)	-	-
Total taxation	(755)	(1,825)	-	-

The Commission is exempt from Tax whereas the subsidiaries are taxed based on the tax laws of their jurisdictions. However, the Mainline Subsidiary which is in Botswana is subject to tax.

Tax Rate Reconciliation

Income tax	%	%	%	%
Foreign Tax	-0.66%	-18.63%	-	-
Effect of higher tax rate in subsidiary	0.01%	-9.16%	-	-
Effective Tax Rate	-0.65%	-27.79%	-	-
Profit/ (Loss) before tax	(116,749)	(6,567)	-	-
Foreign tax	767	1,224	-	-
Tax on Mainline sub income	(11)	602	-	-
Total Tax	755	1,825	-	-

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

7.1 TAX PAYABLE

Balance payable at beginning of year	520	1,350	-	-
Current tax charge	498	845	-	-
Tax (Paid) received	(486)	(1,675)	-	-
Balance payable at end of year	531	520	-	-

Disclosed in the statements of financial position as:

Taxation payable	531	520	-	-
	531	520	-	-

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

8 PROPERTY, PLANT AND EQUIPMENT	FV Freehold Land and Buildings P'000	FV Leasehold Land and Buildings P'000	FV Plant and Machinery P'000	Cost Motor Vehicles P'000	Cost Furniture and Equipment P'000	Cost Computer Equipment P'000	Total Cost/FV P'000
8.1 Consolidated							
Year ended 31 December 2021							
Opening carrying amount	144,727	3	25,141	631	2,016	649	173,167
Exchange differences	1	-	69	(0)	1	34	105
Additions	-	-	100	0	8	349	458
Disposals	-	-	-	-	(2)	(6)	(8)
Depreciation charge	(4,749)	-	(12,247)	(92)	(273)	(398)	(17,760)
Depreciation on disposals	-	-	-	-	2	6	8
Closing carrying amount	139,980	3	13,063	539	1,752	634	155,970
At 31 December 2020							
Cost/valuation	241,129	4,595	192,955	20,813	18,036	37,278	514,792
Accumulated depreciation and impairment	(101,149)	(4,592)	(179,893)	(20,274)	(16,283)	(36,644)	(358,823)
Carrying amount	139,980	3	13,063	539	1,752	634	155,970
Year ended 31 December 2020							
Opening carrying amount	157,674	3	37,945	85	1,788	1,148	198,642
Exchange differences	(274)	-	(812)	(14)	(511)	281	(1,331)
Additions	-	-	2,306	615	45	142	3,108
Disposals	(9,037)	-	-	-	-	(8)	(9,045)
Depreciation	(7,642)	-	(14,297)	(53)	695	(923)	(22,220)
Depreciation charge on disposals	4,006	-	-	-	-	8	4,014
Closing carrying amount	144,727	3	25,141	631	2,016	649	173,167
At 31 December 2020							
Cost/valuation	241,127	4,595	192,786	20,813	18,026	36,901	514,249
Accumulated depreciation and impairment	(96,400)	(4,592)	(167,645)	(20,182)	(16,010)	(36,253)	(341,082)
Carrying amount	144,727	3	25,141	631	2,016	649	173,167

Included in Property Plant & Equipment are fully depreciated assets with an Original Cost of P61.5 million (2020 : P63.5 million) at the reporting date

Freehold land and buildings of Table Bay Cold Storage (Proprietary) Limited, a subsidiary registered in South Africa, with a carrying amount of P65.7 million are secured against an overdraft facility per note 15 through a reported bond in favour of Standard Chartered Bank of South Africa Limited.

Lease Hold Land & Buildings

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

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

8 PROPERTY PLANT AND EQUIPMENT	FV Freehold Land and Buildings P'000	Leasehold Land and Buildings P'000	FV Plant and Machinery P'000	Cost Motor Vehicles P'000	Cost Furniture and Equipment P'000	Cost Computer Equipment P'000	Total P'000
8.2 Commission							
Year ended 31 December 2021							
Opening carrying amount	95,168	3	14,668	631	563	566	111,599
Additions	-	-	0	0	0	349	349
Depreciation charge	(4,644)	-	(7,194)	(92)	(181)	(373)	(12,485)
Disposals	-	-	-	(1,415)	(2)	(6)	(1,424)
Depreciation on disposals	-	-	-	1,415	2	6	1,424
Closing carrying amount	90,524	3	7,474	539	381	543	99,463
At 31 December 2021							
Cost/valuation	188,815	4,548	145,415	19,904	14,726	36,570	409,977
Accumulated depreciation and impairment	(98,291)	(4,545)	(137,941)	(19,365)	(14,345)	(36,027)	(310,514)
Carrying amount	90,524	3	7,474	539	381	543	99,463
Year ended 31 December 2020							
Opening carrying amount	105,085	3	22,721	70	877	1,180	129,936
Additions	-	-	1,730	615	11	142	2,498
Depreciation charge	(4,886)	-	(9,782)	(53)	(325)	(757)	(15,804)
Disposals	(9,037)	-	-	-	-	(8)	(9,045)
Depreciation on disposals	4,006	-	-	-	-	8	4,014
Closing carrying amount	95,168	3	14,668	631	563	566	111,599
At 31 December 2020							
Cost/valuation	188,815	4,548	145,415	19,904	14,726	36,221	409,628
Accumulated depreciation and impairment	(93,646)	(4,545)	(130,747)	(19,274)	(14,164)	(35,620)	(297,995)
Carrying amount	95,168	3	14,668	631	563	566	111,599

Lease Hold Land & Buildings

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

Use of Fair values:

Management has assessed the use of fair values for some of the assets and concluded that there will be no material variation if the same assets were valued at historic cost less accumulated depreciation.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

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

The fair value of the Property, Plant and Equipment which are revalued as per the Group policy (Freehold Land & Buildings and Plant & Machinery) is determined by an independent valuer with appropriate qualifications and experience in the valuations of the property, plant and equipment of the Commission. The Group carries out its revaluation every 3-5 years, with the last valuation having been carried out in 2017. The fair values are estimated using level 3 inputs. Level 3 inputs are unobservable inputs for the asset.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Fair value for Buildings and Plant & Machinery is determined using the depreciated replacement cost model and on Freehold land the market comparable method is used. This means that valuations performed by the valuer are based on prices of transactions involving properties of a similar nature, location and condition. Since the valuation is performed using significant non observable inputs, the fair value is classified as level 3 measurement.

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

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

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

Significant increases (decreases) in estimated average life, replacement cost and estimated useful life would result in a significantly higher(lower) fair value of the properties. The higher the price of a comparable property, the higher the value of the property. A 5% increase/decrease in the fair value valuation of the property would increase/decrease the overall Group's valuation by P7.8 million (2020:P 8.7) and depreciation will increase or decrease by P1.1 million (2020:P 0.8 million)

The Commissioners have made an assessment that the values of assets valued at fair value will not be materially different if the historical cost basis was used.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

8.4 IMPAIRMENT

BMC operates in the cattle industry which is subject to unpredictable factors. Historically, the business has been negatively impacted by drought due to lack of rain. Live Cattle export in 2021 and 2020 also negatively affected throughput. The Maun plant has to quarantine cattle from red zone before slaughter which hampers production output and resultant financial performance. In certain regions, BMC has experienced cattle supply shortages as a result of competition from local abattoirs resulting in erratic supply which is not sustainable.

The business currently operates through three (3) Cash Generating Units (CGU'S) being three factories (Slaughter house ,one cannery and the Head office.)

The Group assessed, as at 31 December 2021, whether there is an indication of asset impairment.

The Fair Value less Costs of disposal (FVLCTD) method was used for the purpose of assessing impairment in the business Cash Generating Units, instead of the Discounted Cash Methodology in accordance with IAS 36 Impairment of Assets due to the negative cashflow during the explicit and terminal period.

The following procedures were used to determine the impairment:

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

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

- a) Peer companies – Management used comparable peers in the packaged foods and meats industry.
- b) Control premium - As per an African valuation methodology survey, a control premium of 20.0% was applied to the range of EV/Revenue multiples to compute the enterprise value on a 100% controlling basis
- c) Size adjustments - The size adjustment is typically applied if the target business is smaller/bigger than the listed companies used in the comparable peer set. This is an appropriate methodology for valuation purposes to include a size discount. Based on BMC's revenue relative to its peers, adjustments were made across the peer set.
- d) Country risk premium - BMC operates mainly in Botswana which is an emerging market and the set of comparable peers we selected included entities operating in developed markets. We have applied a country risk adjustment to the peer set by comparing Botswana's country risk premium to each peer's country risk premium. A discount/premium was calculated based on the difference in geographies of operation. Based on the above procedures performed above, Management determined that the fair value less costs of disposal exceeds the carrying amount of the CGU's hence no impairment to account for as at 31 December 2021.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

9 Lease Liabilities

Carrying amounts of lease liabilities and movements during the period

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

EXPECTED CLOSING BALANCE

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

Minimum lease payments due:

	DISCOUNTED		UNDISCOUNTED	
	2021	2020	2021	2020
Within 1 year	590	681	661	767
2-5 years	1,310	2,060	1,468	2,321
Present Value of minimum lease payments	1,900	2,740	2,130	3,088

Lease payments reconciliation

	2,021	2,020
Payment	937	2,768
Less: Interest Payment	(301)	(272)
Principal Payment	636	2,496

LEASE TERMS

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

Right of use Assets Recognition

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

	BUILDINGS	FORK LIFT	PRINTERS	TOTAL
As at 01 January 2021	322	1,986	311	2,619
Depreciation Expenses	(418)	(659)	(216)	(1,292)
Exchange differences	96	180	12	288
As at 31 December 2021	-	1,507	108	1,615

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

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

	2021	2020
Depreciation on right - of use-assets	1,292	2,176
Interest paid	301	272
Total amount recognised in Profit or loss	1,594	2,448

All leases are denominated in foreign currency and are converted at each reporting period.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

	<u>Consolidated</u>	
	2021	2020
	P'000	P'000
10 INVESTMENT PROPERTY		
*Opening carrying amount	5,310	5,310
Fair Value adjustment	-	-
Closing carrying amount	<u>5,310</u>	<u>5,310</u>
Fair value	<u>5,310</u>	<u>5,310</u>

*In 2019, BMC engaged an independent valuer, Knight Frank to value the investment property and provided a valuation of P5.3 million. For 2020 and 2021 financial years BMC engaged Apex properties and the valuation was P14.4 million and P12.5 million respectively. The actual appreciation in value between 2019 and 2021 was P7.2 million. Management decided to maintain the value at P5.3 million because the appreciation value of P7.2 million was considered to be overstated in view of the prevailing Covid-19 operational challenges. Furthermore, the rental revenue from the same property remains static over the period and therefore does not support the increase in value which is based on the discounted cashflow method. An additional investment is required for compliance with the regulatory requirements.

For investment properties, a valuation methodology based on a Discounted Cash flow model was used. The valuation covers filling station, warehouse, workshop and ancillary offices as they located in the same place .

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

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

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

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

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

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

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

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

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

Investment in Property (Continued)

The inputs used in the table below are level 3.

The size of the investment property is 8885.00 Metres squared

	Significant unobservable Inputs Range	(weighted average)	
		2021 P'000	2020 P'000
Caltex filling station (Valuation Technique used DCF Method)	Estimated rental value per month	29.33	29.33
	Rent growth p.a	6.80%	6.80%
	Long-term vacancy rate	100%	33%
	Discount rate	8%	8%
Rental Income		304	117
Expenses on properties on which rental income is earned		240	240
Profit on Investment Property		64	(122)

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

	% Equity	<u>Consolidated</u>		<u>Commission</u>	
		2021 P'000	2020 P'000	2021 P'000	2020 P'000
11 INVESTMENTS	held				
Subsidiary companies:					
Botswana Meat Commission (UK) Holdings Limited - UK London Shares at cost	100	-	-	2,866	2,866
Lobatse Leathers (Proprietary) Limited - Botswana Shares at cost	100	-	-	300	300
Mainline Carriers (Botswana) (Proprietary) Limited - Botswana Shares at cost	100	-	-	4,308	4,308
Debentures in Clifton School		10	10	10	10
		10	10	7,484	7,484

Investments in Subsidiaries

BMC is an ordinary shareholder with a 100% controlling interest in BMC UK Holdings Limited, 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. The results of these subsidiaries are disclosed under Note 1.4.

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 AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

12 INVENTORIES	Consolidated		Commission	
	2021	2020	2021	2020
Finished goods	21,926	16,383	19,338	16,383
Obsolete inventory allowance - Finished goods	(3,975)	(3,975)	(1,387)	(3,975)
	17,951	12,408	17,951	12,408
Stores	14,436	20,124	14,403	20,021
Obsolete inventory allowance - Stores	(475)	-	(475)	-
	13,961	20,124	13,928	20,021
GRAND INVENTORY	31,911	32,533	31,879	32,429
BREAK DOWN OF FINISHED GOODS				
Meat Stocks	701	2,312	701	2,312
Deboned Meat Stocks	16,735	9,449	16,735	9,449
By-products	515	648	515	648
TOTALS	17,951	12,408	17,951	12,408

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

	<u>Consolidated</u>		<u>Commission</u>	
	2021	2020	2021	2020
13 TRADE AND OTHER RECEIVABLES	P'000	P'000	P'000	P'000
Trade receivables	62,388	66,858	55,461	60,647
Allowances for expected credit losses	(33,554)	(48,508)	(31,046)	(45,971)
Trade receivables - net	28,834	18,350	24,415	14,676
Value added tax	2,608	1,155	2,608	1,155
Other receivables*	23,896	7,788	19,885	3,983
Allowances for expected credit losses*	(17,250)	-	(17,250)	-
	38,088	27,292	29,658	19,813

Movement in the allowance for Expected Credit Losses

Receivables Balance at beginning of year	48,508	39,593	45,971	38,574
Provision raised/(reversed) on new trade receivables	(14,954)	8,915	(14,925)	7,397
Trade Receivables Balance as at end of years	33,554	48,508	31,046	45,971
*Provision raised/(reversed) on other receivables (Note 13)	17,250	-	17,250	-
Provision raised/(reversed) on Amounts due from Group Companies (Note 20.6)	-	-	17,232	-
TOTAL EXPECTED CREDIT LOSSES	2,296	8,915	19,557	7,397

*** Reclassification of prior period amounts**

An amount of P17.25 million has been reclassified between trade and other receivables and trade and other creditors to ensure improved presentation and comparability. For details on the reclassification, refer to note 13.1.

In determining the recoverability of a trade receivable, the Group and Commission consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. There is low credit risk relating to trade receivables as they are in different regions. All sales are to wholesalers accordingly, the Commissioners believe that there is no further allowance required in excess of the Allowances for expected credit losses debts recognised in the statement of financial position. The average credit period is 30 days (2020: 180 days).

	GROUP		COMMISSION	
	P'000	P'000	P'000	P'000
EUROPE	23,264	3,487	23,264	541
SOUTH AFRICA	20,616	31,340	13,689	28,075
LOCAL	8,393	22,217	8,393	22,217
OTHER MARKETS	10,115	9,813	10,115	9,814
TOTAL	62,388	66,858	55,461	60,647

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

13.1 RECLASSIFICATION OF PRIOR PERIOD AMOUNTS

A prior year amount has been reclassified between trade and other receivables and trade and other creditors to ensure improved presentation and comparability. The reclassification results in adjustments described as follows :

Group Statement of financial position

	Previously reported	Reclassification	Reclassified
	P'000	P'000	P'000
Trade and other receivables	27,292	17,250	44,542
Trade and other payables	89,254	(17,250)	72,004

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

14 CASH AND CASH EQUIVALENTS

	2021	2020	2021	2020
	P'000	P'000	P'000	P'000
Cash at bank and in hand	18,396	66,613	2,135	47,025
Short-term deposits	4,817	5,410	-	593
	23,213	72,023	2,135	47,618

15 BANK OVERDRAFTS

	2021	2020	2021	2020
	P'000	P'000	P'000	P'000

Bank overdrafts comprise:

<i>Current account overdraft</i>	19,516	17,908	19,516	17,908
Standard Chartered Bank Botswana Limited	19,516	17,908	19,516	17,908
	19,516	17,908	19,516	17,908

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 recognised.

15 BANK OVERDRAFTS (continued)

	2021	2020	2021	2020
	P'000	P'000	P'000	P'000
Overdraft/trade finance facilities limits				
Amount utilised	19,516	17,908	19,516	17,908
Amount available	4,330	5,577	484	2,092
Total facility	23,846	23,485	20,000	20,000

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

Botswana pula denominated (thousand)	BWP20 000	BWP20 000	BWP20 000	BWP20 000
South African Rand denominated- Held with Standard Bank	ZAR 5,000	ZAR 5,000	ZAR 0	ZAR 0

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

1. An irrevocable unconditional Government guarantee for BWP300 000 000. This is held as security for the facility should the Commission not be able to pay, the bank will call on the guarantee. The date of origin of the Government guarantee is 04 August 2014. As at the 31st December 2021, the facility was not utilised. No material loss is anticipated as a result of these transactions.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 DECEMBER 2021

	Consolidated		Commission	
	2021	2020	2021	2020
	P'000	P'000	P'000	P'000
Cash at bank and in hand (Note 14)	18,396	66,613	2,135	47,025
Short-term deposits (Note 14)	4,817	5,410	-	593
	23,213	72,023	2,135	47,618
Bank Overdrafts (Note 15)	(19,516)	(17,908)	(19,516)	(17,908)
Cash and cash equivalents	3,697	54,115	(17,381)	29,710

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16 TOTAL BORROWINGS RECONCILIATION	Consolidated		Commission	
	2021 P'000	2020 P'000	2021 P'000	2020 P'000

Borrowings Unsecured

GOVERNMENT LOAN P160 Million

Loan is repayable at a rate not exceeding 5% per annum.

Capital

Interest

Total

-	-	-	-
160,000	160,000	160,000	160,000
18,705	10,705	18,705	10,705
178,705	170,705	178,705	170,705

GOVERNMENT LOAN P88 Million

Loan is repayable at a rate not exceeding 4.75% per annum.

Capital

Interest

Total

TOTAL GOVERNMENT OF BOTSWANA LOANS

-	-	-	-
88,000	88,000	88,000	88,000
7,661	3,481	7,661	3,481
95,661	91,481	95,661	91,481
274,367	262,187	274,367	262,187

Long Term

Current Portion of Government Loans

Government Loans

-	-	-	-
274,367	262,187	274,367	262,187
274,367	262,187	274,367	262,187

A Government loan of P 160 Million at an annual interest rate of 5% was obtained in August 2019 and another Government loan of P88 Million at an annual interest rate of 4.75% was obtained in February 2020. No repayments have been made to date.

BOTSWANA MEAT COMMISSION
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	Consolidated		Commission	
	2021	2020	2021	2020
17 DEFERRED TAXATION	P'000	P'000	P'000	P'000
Balance at beginning of year	6,316	9,307	-	-
Exchange differences	17	(922)	-	-
Profit and Loss	(1,264)	(2,070)	-	-
Balance at end of year	5,069	6,316	-	-

Note 7

DEFERRED TAX TEMPORARY DIFFERENCES

Deferred Tax Liability	-	-	-	-
Accelerated Depreciation for tax purposes	1,662	1,662	-	-
Prepaid Expenditure	88	204	-	-
Revaluation of assets	6,271	8,348	-	-
Total Deferred Tax Liability	8,021	10,213	-	-
Deferred tax asset	-	-	-	-
Provisions	(2,952)	(3,897)	-	-
Deferred Tax Liability	8,021	10,213	-	-
Deferred tax asset	(2,952)	(3,897)	-	-
Total Net Deferred Tax Liability	5,069	6,316	-	-

18 TRADE AND OTHER PAYABLES

Trade payables	46,125	48,823	42,415	61,231
Accrued expenses	9,220	17,995	3,496	10,618
Payroll accruals	12,973	12,504	12,973	12,504
*Withholding tax payable	8,851	8,678	8,088	7,942
**Advance from Government	49,352	-	49,352	-
***Other payables	2,443	1,253	2,284	1,238
	128,965	89,254	118,608	93,533

***WITHHOLDING TAX:**

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

****ADVANCE FROM GOVERNMENT**

The Ministry of Local Government and Rural Development advanced BMC P51 Million in September 2021 against the Stewed Steak Contract. The advance is payable in 24 months. Total monthly instalment is P2.5 million.

***** OTHER PAYABLES**

Amounts deducted from employees and farmers payable to financial institutions.

CREDIT PERIOD:

The average credit period for trade payables is 60 days (2020: 120 days). No interest is charged on the trade payables. The Group and Commission have financial risk management policies in place to ensure that all payables are paid within a reasonable time of the agreed credit terms as per the group policies.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

19 FINANCIAL INSTRUMENTS

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

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

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

The Group and Commission manage their capital to ensure that they continue as a going concern while maximising the return to the Shareholder through optimisation of the debt and equity balance.

The capital structure of the Group and the Commission consists of net debt, which includes the borrowings and bank balances, cash and the Commission's capital and reserves disclosed in the statements of changes in equity.

Gearing ratio

The Group's overall management strategy is to maintain the gearing ratio at a minimum. On an annual basis, in line with the Botswana Meat Commission Act (Cap 74:04) (As amended) Sections 13 and 14, the Commission sets aside funds for the redemption of borrowings from the accumulated surplus. Although the Act does not provide the value of the monies to be set aside, Management determines every year how much funds to set aside for this course. The provision made in the books for 2021 is nil. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

	<u>Consolidated</u>		<u>Commission</u>	
	2021	2020	2021	2020
	P'000	P'000	P'000	P'000
Debt				
Bank Overdrafts (Note 15)	19,516	17,908	19,516	17,908
Government loans (Note 16)	274,367	262,187	274,367	262,187
Total Debt	293,883	280,095	293,883	280,095
Cash and cash equivalents (note 14)	(23,213)	(72,023)	(2,135)	(47,618)
Net debt (i)	270,670	208,072	291,748	232,477
Reserves (ii)	(170,707)	(58,659)	(323,631)	(206,247)
Gearing Ratio	2.94	1.87	(9.22)	10.68

- i) Debt is defined as borrowings and overdrafts, as disclosed in note 16-17.
ii) comprises reserves as disclosed in the statement of changes in reserves

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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19.1 Categories of financial instruments

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

Financial assets	Group		Commission	
	2021	2020	2021	2020
	P'000	P'000	P'000	P'000
Amortised cost				
Trade receivables	35,480	26,137	27,051	18,659
Amounts due from Group Companies	-	-	1,085	18,791
Debentures from Clifton	10	10	10	10
Cash and Cash equivalents	23,213	72,023	2,135	47,618
Total	58,703	98,170	30,280	85,077
Financial liabilities				
Amortised cost				
Trade payables	48,568	50,077	44,699	62,469
Borrowings	274,367	262,187	274,367	262,187
Amounts due to group companies	-	-	86,335	77,510
Bank Overdrafts	19,516	17,908	19,516	17,908
Total	342,451	330,171	424,916	420,073
Finance costs				
Financial liabilities at amortised cost	13,582	13,582	16,876	16,688
Finance income				
Loans and receivables	304	278	119	278

19.2 Credit risk

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

The following table summarises the maximum exposures to credit risk.

	Consolidated	
	2021	2020
	P'000	P'000
Total credit risk comprises:		
Cash and cash equivalents	23,213	72,023
Trade and other receivables	35,480	26,137
Total maximum exposure	58,693	98,160

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

COMMISSION
2021

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

2020

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

GROUP
2021

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

2020

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

Due to the positive impact of the successful vaccinations against Covid - 19 the Group and Commission has assumed a reduction from 100% to 84% loss rate for all debtors over 90 days. The Group and Commission collection rate has significantly improved and ultimately improving the Loss rate.

BOTSWANA MEAT COMMISSION
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 31 DECEMBER 2021

19.3 EXPECTED CREDIT LOSSES RECONCILIATION - 2021

	GROUP STAGE 1		COMMISSION STAGE 1	
	Gross Carrying Amount	ECL	Gross Carrying Amount	ECL
	P'000	P'000	P'000	P'000
01-Jan-21	66,858	48,508	60,647	45,971
New Assets originated or purchased	165,268		153,541	
Payments and assets derecognised	(163,665)	(14,954)	(152,652)	(14,925)
Credit quality related changes	-		-	
Amounts written off	-		-	
Foreign Eexchange effects	(7,034)		(6,074)	
31-Dec-21	61,426	33,554	55,461	31,046
ECL allowance change for the year- Trade Receivables		14,954		14,925
ECL allowance change for the year- Other Receivables		(17,250)		(34,481)
Total ECL Income Statement Charge for the year	-	(2,296)	-	(19,557)

EXPECTED CREDIT LOSSES RECONCILIATION - 2020

	GROUP STAGE 1		COMMISSION STAGE 1	
	Gross Carrying Amount	ECL	Gross Carrying Amount	ECL
	P'000	P'000	P'000	P'000
01-Jan-20	95,374	39,593	94,342	38,574
New Assets originated or purchased	324,919		315,248	
Payments and assets derecognised	(347,430)	8,915	(343,905)	7,397
Credit quality related changes	-		-	
Amounts written off	-		-	
Foreign Eexchange effects	(6,005)		(5,038)	
31-Dec-20	66,858	48,508	60,647	45,971
ECL allowance change for the year- Trade Receivables		8,915		7,397
Total ECL Income Statement Charge for the year	-	8,915	-	7,397

19.4 Fair value hierarchy of financial instruments

The table below analyses financial instruments carried at amortised costs, by valuation method at 31 December 2021. 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 2021				
Borrowings Current	-	(287,870)	-	(287,870)
	-	(287,870)	-	(287,870)
At 31 December 2020				
Borrowings Current	-	(275,091)	-	(275,091)
	-	(275,091)	-	(275,091)
Commission				
At 31 December 2021				
Borrowings Current	-	(287,870)	-	(287,870)
	-	(287,870)	-	(287,870)
At 31 December 2020				
Borrowings Current	-	(275,091)	-	(275,091)
	-	(275,091)	-	(275,091)

Valuation Techniques Applied:

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

Significant inputs

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

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

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	<u>Consolidated</u>		<u>Commission</u>	
	2021	2020	2021	2020
19 FINANCIAL INSTRUMENTS (CONTINUED)	P'000	P'000	P'000	P'000

19.5 MARKET RISKS

19.5.1 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:

South African Rand trade payables	11,980	18,809	7,107	7,107
United States Dollar trade payables	-	-	-	-
Great Britain Pound trade payables	970	1,834	970	1,301
Great Britain Pound payables (related parties)	-	-	24,713	22,510
United States Dollar payables (related parties)	-	-	52,969	46,480
South African Rand payables (related parties)	-	-	-	-
	<u>12,949</u>	<u>20,643</u>	<u>85,759</u>	<u>77,398</u>
South African Rand trade receivables	34,895	34,895	31,469	31,469
Great Britain Pound trade receivables	-	-	-	-
United States Dollar trade receivables	-	-	-	-
Euro trade receivables	1,670	1,670	1,921	541
South African Rand receivables (related parties)	-	-	17,804	17,232
Great Britain Pound receivables (related parties)	-	-	512	1,559
	<u>36,565</u>	<u>36,565</u>	<u>51,707</u>	<u>50,802</u>

Foreign currency sensitivity analysis

The following table details the Group's and Commissions sensitivity to a 5% increase or decrease in Botswana Pula rate against the currencies the Group and Commission is exposed to 5% is the most likely change in exchange rates as assessed by the Group and Commission's management. A positive number below indicates an increase in profit/decrease in loss where the Pula strengthens against the foreign currency. For a 5% weakening of the Pula against the foreign currencies, there would be an equal and opposite impact on profit/loss and the balances below would be negative.

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

		<u>Consolidated</u>		<u>Commission</u>	
		2021	2020	2021	2020
	Increase/decrease in exchange rate	P'000	P'000	P'000	P'000
		Effect on profit before tax		Effect on profit before tax	
GBP	+5%	35	18	(1,259)	(1,113)
USD	+5%	-	-	(2,648)	(2,324)
ZAR	+5%	1,146	1,146	2,108	2,080
EURO	+5%	84	84	96	27
GBP	-5%	(35)	(18)	1,259	1,113
USD	-5%	-	-	2,648	2,324
ZAR	-5%	(1,146)	(1,146)	(2,108)	(2,080)
EURO	-5%	(84)	(84)	(96)	(27)

19 FINANCIAL INSTRUMENTS (CONTINUED)

19.5.2 Interest rate risk

The Group is exposed to movements in interest rates because it has overdraft facilities and borrowings bearing interest rates which are linked to the prime lending rate. If interest rates were 1% lower and all other variables were held constant, the Group's profit would increase as shown below. For a 1% increase in interest rates there would be an equal and opposite impact on profit/loss and the balances would be negative.

	Consolidated		Commission	
	2021	2020	2021	2020
	P'000	P'000	P'000	P'000
Profit or loss	<u>136.34</u>	<u>135.82</u>	<u>166.76</u>	<u>166.88</u>

19.5.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Commissioners, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 15 are the details of the overdraft facility that the Group has at its disposal to further reduce liquidity risk. The Government of Botswana provides funding to the Group and Commission when the need arises.

The expected undiscounted cash outflows related to borrowings are disclosed below both for group and commission. The rest of the Group's financial liabilities are short term and disclosed in note 15-16, they are expected to be settled at their book value within a year and hence are reflected at discounted amounts. In addition to these short term borrowings, the Group provided guarantees amounting P4.1 million to Standard Chartered Bank Of United Kingdom and South Africa revenues services. These are disclosed under note 23 as contingent liabilities and will only be settled in the event the Group is not able to fulfill its financial obligations for which a guarantee was required.

	2021			
	Within 1 year	2-5 years	Over 5 years	Total
COMMISSION				
Interest bearing loans and borrowings	274,367	-	-	274,367
Bank Overdraft	19,516	-	-	19,516
Trade Payables	118,608	-	-	118,608
Amounts Due to Group Companies	86,335	-	-	86,335
GROUP				
Interest bearing loans and borrowings	274,367	-	-	274,367
Bank Overdraft	19,516	-	-	19,516
Trade Payables	128,965	-	-	128,965
Lease Liabilities	590	1,310	-	1,900
	2020			
	Within 1 year	2-5 years	Over 5 years	Total
COMMISSION				
Interest bearing loans and borrowings	262,187	-	-	262,187
Bank Overdraft	17,908	-	-	17,908
Trade Payables	93,533	-	-	93,533
Amounts Due to Group Companies	77,510	-	-	77,510
GROUP				
Interest bearing loans and borrowings	262,187	-	-	262,187
Bank Overdraft	17,908	-	-	17,908
Trade Payables	89,254	-	-	89,254
Lease Liabilities	681	2,060	-	2,740

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20 RELATED PARTY TRANSACTIONS AND BALANCES	<u>Commission</u>	
	2021	2020
	P'000	P'000
The related parties of the Commission are the Government of Botswana, refer to note 16, its subsidiaries as disclosed in (Note 11) and the Commissioners and senior management, The following related party transactions were entered into:		
20.1 Services charges		
Management fees Payable - Botswana Meat Commission (UK) Holdings Limited (subsidiary)	1 859	2 308
Storage expenses Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	672	1 301
Management fees Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	1 246	1 083
Management fees Receivable - Mainline Carriers Botswana (Proprietary) Limited (subsidiary)	(240)	(240)
	<u>3 537</u>	<u>4 452</u>
20.2 Interest paid		
Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	(3 115)	(3 161)
BMC UK Holdings Limited (Subsidiary)	(428)	(411)
	<u>(3 543)</u>	<u>(3 572)</u>
20.3 Subventions received from Government	<u>30 232</u>	<u>128 801</u>

	<u>Commission</u>	
	2021	2020
	P'000	P'000
20.6 Amounts due from group companies		
BMC UK Holdings Limited (Subsidiary)	512	1 559
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	17 804	17 232
	<u>18 317</u>	<u>18 791</u>
Allowances for expected credit losses	(17 232)	-
	<u>1 085</u>	<u>18 791</u>

These are in regard to Commissions debtors collected by the UK and TBCS subsidiaries and yet to be remitted to the BMC parent entity as at year end.

20.6 Amounts due to group companies		
BMC Meat Importers Limited, Guernsey (subsidiary)	18 374	16 636
Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	52 969	46 480
BMC UK Holdings Limited (subsidiary)	6 339	5 874
Mainline Carriers (Proprietary) Limited (subsidiary)	8 493	8 359
Lobatse Leathers (Proprietary) Limited (subsidiary)	161	161
	<u>86 336</u>	<u>77 510</u>

BMC Meat Importers Limited, Allied Meat Insurance Company Limited and Table Bay Cold Storage facilities are Subsidiaries of Lobatse Leathers, hence consolidated under Lobatse Leathers.

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

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

BOTSWANA MEAT COMMISSION
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	2021 P'000	2020 P'000
20.7 Related party balances included in receivables		
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	1,278	7,107
	<u>1,278</u>	<u>7,107</u>
<i>This is an intercompany net advance balance, that was settled subsequent to year end.</i>		
20.8 Transactions related to Board of Commissioners		
Commissioners' Fees	<u>422</u>	<u>134</u>
Paid to:		
Mr. Oboile. B. Mhutsiwa	37	-
Mr. Victor Senye	-	21
Mr. Mike Dube	-	14
Mr. Moraki Mokgosana	48	20
Mr. Tshepo Masire	15	18
Mr. Onkabetse Kgotlafela	-	5
Mr. Thabang. L. Botshoma	-	-
Mr. Godfrey Mosimaneotsile	63	22
Ms. Gorata Gabaraane	87	27
Mr. Christian. R. Lemcke	6	7
Mr. Mbaakanyi Lenyatso	36	-
Mr. Bonolo Montle	33	-
Ms. Shameela Winston	11	-
Dr. James Sento	45	-
Mr. Joseph. B. Akoonyatse	41	-
Producer payments - Cattle Slaughter (Commission and consolidated)	<u>135</u>	<u>339</u>
20.9 Remuneration of key management personnel		
Employment benefits - Dr. B. Mogome Maseko - Chief Executive Officer(Acting)	1,193	1,053
Employment benefits - key management personnel -Executive Management	3,120	4,032
	<u>4,313</u>	<u>5,085</u>

21 NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated		Commission	
	2021 P'000	2020 P'000	2021 P'000	2020 P'000
Cash used in operations				
Operating surplus/loss	(116,286)	6,737	(106,583)	19,584
Adjustments for:				
Depreciation of property, plant and Equipment	17,760	22,220	12,485	15,804
Depreciation of Right of Use Asset	1,292	2,176	-	-
Impairment	-	-	-	-
Fair value (Gain)/Loss on investment Property	-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(535)	(25,938)	(535)	(25,938)
Effects of changes in foreign exchange rates	648	7,217	2,413	-
	<u>(97,121)</u>	<u>12,412</u>	<u>(92,220)</u>	<u>9,450</u>
Movements in working capital				
Decrease/(Increase)in inventories	622	68,043	550	68,043
(Increase)/decrease in amounts due from group companies	-	-	17,706	12,356
Decrease/(increase) in trade and other receivables and prepayments	(7,008)	42,305	(6,180)	39,602
(Decrease)/increase in trade and other payables	39,711	(182,981)	25,075	(191,082)
Increase /(Decrease) in amounts due to group companies	-	-	8,825	1,792
	<u>33,324</u>	<u>(72,634)</u>	<u>45,976</u>	<u>(69,290)</u>
Cash used in operations	<u>(63,797)</u>	<u>(60,222)</u>	<u>(46,244)</u>	<u>(59,840)</u>

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

Group	01-Jan-21	PRINCIPAL	Loan	INTEREST	INTEREST	31-Dec-21
	P'000	REPAYMENT	Received	P'000	PAYMENT	P'000
Current Interest bearing loans						
Botswana Government Loans	262,187	-	-	12,180	-	274,367
Total Liabilities from Financing	262,187	-	-	12,180	-	274,367

COMMISSION AND GROUP

Group	01-Jan-20	PRINCIPAL	Loan	INTEREST	INTEREST	31-Dec-20
	P'000	REPAYMENT	Received	P'000	PAYMENT	P'000
Current Interest bearing loans						
Botswana Government Loan of P 160 Million	162,683	-	88,000	11,504	-	262,187
Term Loan -African Banking Corporation	3,363	(3,363)	-	49	(49)	-
Standard Chartered Banking Botswana Limited Loan	20,809	(20,809)	-	366	(366)	-
	186,855	(24,172)	88,000	11,919	(415)	262,187

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

23	CONTINGENT LIABILITIES AND ASSETS	Consolidated		Commission	
		2021 P'000	2020 P'000	2021 P'000	2020 P'000
23.1	Contingent liabilities				
1	Interest Claim - Feedlotters High Court cost claims - Walgreen	-	13,375	-	13,375
2	Investments Claims instituted by Makhoks Feedlot for damages for alleged breach of Commission's obligations.	-	2,997	-	2,997
3		-	8,983	-	8,983
4	Guarantees from Standard Chartered Bank Botswana Limited	-	14,160	-	14,160
	In favour of Standard Chartered Bank Lond	-	37,060	-	37,060
5	Guarantee in favour of Transnet	1,040	752	1,040	752
5	Customs and excise guarantee in South Africa	3,063	362	3,063	362
5	Guarantee to South African Revenue Services	-	445	-	-
		4,103	78,133	4,103	77,689

1. Feedlotters filed claims of interest charges on the principal amounts they were owed. The claims were accordingly settled in 2021.
2. Walgreen investments also submitted to the BMC high court cost charges that were also settled in 2021.
3. Makhoks changed his claim and filed a claim with other feedlotters who are claiming late payment interest, which falls under Interest claims-Feedlotters.

Guarantees

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

23.2 Future capital expenditure

Authorised but not yet contracted for	192,438	61,711	192,438	61,711
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Capital expenditure will be funded from internally generated funds and external funding as necessary.

23.2 Operating lease commitments (Receipts)

Future minimum lease receipts:

Not later than one year	1,371	1,377	-	-
	1,371	1,377	-	-

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

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2021

24. EVENTS AFTER THE REPORTING PERIOD

a) Adjusting Events:

There were no adjusting events that happened after year end.

b) Non – Adjusting Events:

- Subsequent to year end, Standard Chartered Bank offered BMC a revolving credit Facility of P70 Million that is used for financing the cattle purchase incentive scheme which is intended to encourage more farmers to supply cattle eligible for the EU Market. As part of the Shareholder's commitment to provide the necessary support to the BMC Group, the facility is secured by the Government Guarantee of P300 Million.
- The ongoing war between Russia and Ukraine has negatively affected the operations of the BMC Group as evidenced by the delayed shipment of consignments of meat destined for Europe during the first quarter of 2022. The situation has however improved, and initiatives such as forward booking with shipping lines have yielded some positive results. The increasing cost of fuel as an after effect of this conflict has also resulted in increased cost of production.
- The appointment of the substantive Chief Executive Officer as at 01 June 2022.

25. COVID -19:

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

While it is expected that the successful rollout of vaccines will have a positive impact and boost the global economic growth, it is still not possible to accurately forecast the full extent and duration of Covid – 19 and its economic impact but we however acknowledge that it had a negative impact in our cost of production. The cost of our critical raw material being cattle had to be adjusted to align with the input costs.

Botswana Meat Commission and its customers have been impacted by the outbreak as well as measures taken in preventing the spread of the disease. The critical judgement and evaluation that Management made is whether and, if so, what event in this series of events provides evidence of the conditions that warrants provision for impairment at the reporting period for the Group's assets and liabilities. When making these judgements, the Group takes into consideration all available information about the nature and the condition of the pandemic and measures taken.

Covid-19 is expected to continue to have a negative impact on the level of impairments due to challenges posed by the pandemic, especially in the tourism and entertainment industries. Management adjusted the ECL loss rate to 84% for outstanding debtors over 90 days. Management will continue to apply due diligence when assessing the creditworthiness of potential customers and work closely with valuers who appraise collateral especially for possible impact from the pandemic and prevailing conditions. The collections of payments from customers will be closely monitored so that the necessary action is taken timeously.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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26. GOING CONCERN

The Group and the Commission reported a total loss for the year of P112.0 million (2020: Deficit of P2.2 million) and Loss of P117.38 million (2020: Profit P3.2 million), respectively. The accumulated losses of the Group and Commission amount to P1.4 billion (2020: P1.3 billion) and P1.4 billion (2020: P1.3 billion), respectively. These conditions shows a constant performance for the Commission.

The ability of the Group and Commission to continue as a going concern is dependent on a number of factors. The most significant of these is the commitment by the Government of the Republic of Botswana, as the sole Shareholder, to continue with financial support to the Commission. The Commission's going concern is also dependent on obtaining trade facilities and commercial loans from financial institutions to augment working capital funding.

Given the unpredictability of the impact of the Covid-19 outbreak, there are some uncertainties that may cast doubt on the Group and the Commission's ability to operate as a going concern. Furthermore, the impact of climate change brings about additional uncertainties because the key raw material availability depends on the vegetation. Drought or lack of rainfall normally brings undesirable results as farmers are normally reluctant to sell animals below a certain weight.

There is also some positive news in which the Norway market increased its prices by an average of 15% beginning of 2022 which will significantly improve the liquidity of the Commission. The renegotiation of the Distribution agreement with Noridane is also expected to yield some positive results since this will also provide the parties an opportunity to review among other things the commission structure, pricing as well as payment terms.

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

Some of the Highlights of the strategy are;

- Optimization of production processes through the achievement of an overall equipment efficiency of 77% in 2022;
- Achieve total revenues of P2 Billion by 2025;
- Enhance branding of Botswana Beef to grow current products' prices by 15% in 2022;

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

The Commission reported a loss of P117.38 million for 2021 financial year (2020: a profit of P3.2 million) and has accumulated losses of P1.45 billion (2020: P1.33 billion). Section 17 of the Botswana Meat Commission Act stipulates that it is the duty of the Commission to exercise its functions and conduct its business as to ensure, taking one year with another, that its revenues are sufficient to enable the Commission to meet the outgoings of the Commission properly chargeable to the revenue account in terms of Section 14 of the Act. The Commission has therefore not complied with the Act in this regard as demonstrated by the build-up of accumulated losses. This has resulted in reduced throughput and revenue due to the Commissions constrained cashflow.

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