

**BOTSWANA MEAT COMMISSION**

**AUDITED CONSOLIDATED**

**AND**

**SEPARATE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2019**

**BOTSWANA MEAT COMMISSION  
GENERAL INFORMATION FOR THE YEAR ENDED  
31 DECEMBER 2019**

**COMMISSIONERS**

V Senye	Chairperson
M Dube	Member
T Botshoma	Member
T Masire	Member
M Mokgosana	Member
O Kgotlafela	Member
G Mosimaneotsile	Member
G Gabaraane	Member
R Lemcke	Member

**EXECUTIVE MANAGEMENT**

Dr Mogome-Maseko	Chief Executive Officer (Acting)
L Q Nkani	Chief Financial Officer
Dr Charles Olupot	(Chief Technical Advisor Exited, 2019)
B Saudu	EXCO, Chief Technical Advisor (Acting)
R D Makati	EXCO, Human Capital (Exited 2019)
A Ngwigwa	EXCO, Human Capital (Acting)
O Lopotlako	EXCO, Compliance (Acting)
M Gaetshetse	EXCO, Livestock Procurement (Acting)
B Dioka	Board Secretary (Acting)

**REGISTERED OFFICE**

Plot 621  
1 Khama Avenue  
Lobatse

**AUDITORS**

Ernst & Young  
P O Box 41015  
Gaborone

**BANKERS**

Absa Bank of Botswana Limited  
First National Bank of Botswana Limited  
Standard Bank South Africa Limited  
Stanbic Bank Botswana Limited  
Standard Chartered Bank Botswana Limited  
Standard Bank Plc London  
BancABC Limited  
NedBank South Africa Limited

**BOTSWANA MEAT COMMISSION  
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2019**

<b>CONTENTS</b>	<b>PAGE</b>
Commissioners' Responsibility Statement and Approval of the Financial Statements	3 - 4
Independent Auditor's Report	5 - 8
Statements of Profit and Loss and Other Comprehensive Income	9
Statements of Financial Position	10
Statements of Cash Flows	11
Statements of Changes in Reserves	12 - 14
Financial Review by Management	15
Group accounting policies	16 - 42
Notes to the Consolidated and Separate Financial Statements	43 - 66

**BOTSWANA MEAT COMMISSION  
COMMISSIONERS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**Commissioners' Responsibility Statement**

The Commissioners are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Botswana Meat Commission ("the Group and Commission"), comprising the statements of financial position as at 31 December 2019, and the statements of comprehensive income, changes in reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Botswana Meat Commission Act (Chapter 74:04) (as amended).

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

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

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

The Commissioners acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the commissioners to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

**BOTSWANA MEAT COMMISSION**  
**COMMISSIONERS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE FINANCIAL STATEMENTS**  
(Continued)  
**31 DECEMBER 2019**

The Commissioners are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The Board is primarily responsible for the financial affairs of the Group.

The Group and Commission have reported a total Loss of P92.2 million and P104.2 million, respectively (2018: a Loss of P76.8 million and P90 million, respectively), and their accumulated losses amounted to P1,285 million and P1,311 million, respectively (2018: P1,148 million and P1,177 million respectively). The going concern of the Group and Commission is dependent on the initiatives disclosed in note 31 of the financial statements. The Government of Botswana has committed to continue offering financial support to the Group and Commission and the Commissioners believe that the going concern principle is an appropriate basis for preparation of the financial statements.

The external auditors are responsible for independently reviewing and reporting on the consolidated and separate financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on page 5 and 6.

**Disclosure of Audit Information**

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

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

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

**Commissioners' Approval of the Financial Statements**

The consolidated and separate financial statements set out on pages 7 to 65, which have been prepared on the going concern basis, were approved by the Board on 12.11.2020 and are signed on its behalf by:

  
.....  
Commissioner

  
.....  
Commissioner

## Independent Auditor's Report

To the Commissioner's Botswana Meat Commission

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Botswana Meat Commission ("the Commission") set out on pages 9 to 66 which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the statements of changes in equity attributable to the Botswana Meat Commission Group and statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of Botswana Meat Commission Group as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Meat Commission Act (Chapter 74:04) (as amended), and for such internal control as the Commissioners determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error..

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of Human Resources Development Council and in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Human Resources Development Council and 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 Commission reported a total deficit for the year and accumulated losses. The Commission is unable to secure sufficient volumes of supply to produce sufficient revenues to cover costs and the Commission is therefore dependent on the Government of Botswana for ongoing support. These conditions, along with other facts noted in the Notes, indicate the existence of a material uncertainty that casts significant doubt on the Group's and Commission's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Report on other Legal and Regulatory requirements**

In accordance with section 20(3) of the Botswana Meat Commission Act (Chapter 74:04) (as amended) we confirm the following:

- 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 Act with which it is the duty of the commission to comply. Instances of non-compliance are detailed in note 31 in the consolidated and separate financial statements.

### Key Audit Matters

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

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

Key Audit Matter	How the matter was addressed in the audit
<p><b>Impairment</b></p> <p>As at 31 December 2019 the Group and Commission performed an impairment assessment on the business as per IAS 36. IAS 36 requires that at the end of each reporting period, an entity has to assess whether there is any indication that an asset maybe impaired. (i.e. it's carrying amount maybe higher than its recoverable amount).</p> <p>They performed an impairment assessment by performing the following:</p> <ul style="list-style-type: none"> <li>• Assessing the recoverable amount through determination of a value-in-use amount and comparing this to the carrying amount. The value-in-use for the three cash generating units (CGU) was calculated using a discounted cash flow model; and</li> <li>• Sensitivity analysis over the value-in-use calculation, by varying the assumptions used, (revenue growth rates, expense and fixed cost increases, gross margin percentage and the weighted average cost of capital i.e. discount rate).</li> </ul> <p>The impairment assessment of the Commission was considered to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> <li>• the magnitude of the impairment; and</li> <li>• the significant judgement and estimates applied by management in determining the value in use of the Commission.</li> </ul> <p>As detailed in note 8.2, this determination of an impairment is highly subjective as significant judgement is required by the Commissioner in determining the recoverable amount. Accordingly, due to the high estimation uncertainty, the impairment assessment of these assets is considered to be a key audit matter.</p>	<p>We utilised our valuation expertise to evaluate the appropriateness of the approach adopted by management in the valuation model by comparing the approach to market practice and the applicable requirements of IAS 36: Impairment of Assets and we found the approach to be consistent with market practice.</p> <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of management's processes over assessment of impairment;</li> <li>• We assessed the appropriateness of the accounting policies and impairment methodologies applied by comparing these to the requirements of IAS 36;</li> <li>• We critically assessed the Impairment model developed by management including the assessment of key judgements and assumptions applied in the calculation of value in use;</li> <li>• We tested the mathematical accuracy of the models used by management;</li> <li>• We assessed the reasonableness of the Revenue projections, gross profit margins, market risk premium, cost of debt;</li> <li>• We challenged the parameters and significant assumptions applied in the calculation models;</li> <li>• We also assessed the adequacy of the disclosures regarding the a for impairment in the financial statements to determine whether they were in accordance with IFRS;</li> <li>• We assessed the reasonability of management's cash flow forecasts and assumptions by comparing them to historic results and actual 2019 results, taking into account our understanding of the industry and entity specific circumstances</li> <li>• We made use of our valuation expertise to independently calculate the discount rate (weighted average cost of capital), taking into account independently obtained data such as the</li> </ul>



<p>Building a better working world</p>	<p>cost of debt, risk free rates in the market, market risk premiums, specific risk premium, debt/equity ratios as well as the beta of comparable companies;</p> <ul style="list-style-type: none"> <li>• We compared the terminal growth rate used by management to long-term inflation rates obtained from independent sources</li> <li>• Based on the preliminary results of the impairment assessment, BMC is impaired as at 31 December 2019 by BWP 27million.</li> <li>• The carrying amount of BMC was calculated as BWP 45.7million. The carrying amount included the following: <ul style="list-style-type: none"> <li>PPE;</li> <li>Inventories;</li> <li>Trade receivables; and</li> <li>Trade payables.</li> </ul> </li> </ul> <p>Disclosure with respect to the application of IAS 36 in determining the impairment are disclosed in;</p> <ul style="list-style-type: none"> <li>• Accounting Policy Standards.</li> <li>• Note 8.2 Impairment of Property, Plant and Equipment.</li> </ul>
--	--

**Other Information**

The Commissioners are responsible for the other information. The other information comprises the information included in the 1 to 66-page document titled "Botswana Meat Commission Annual Financial Statements for the year ended 31 December 2019" comprises the Commissioners Report which includes, the Commissioners' Responsibility Statement and Financial Review by Management. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

**Responsibilities of the Commissioners for the Consolidated and Separate Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

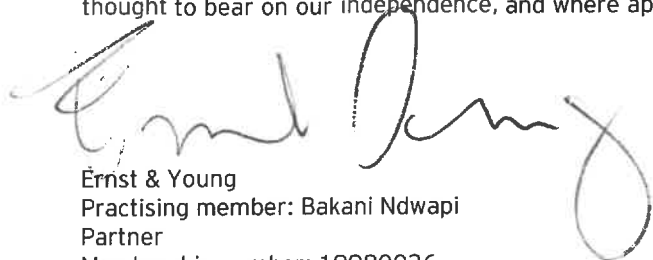
Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

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 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 council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners.
- Conclude on the appropriateness of the Commissioners' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the Commissioners regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group and commission audit. We remain solely responsible for our audit opinion.

We 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.



Ernst & Young  
Practising member: Bakani Ndwapi  
Partner  
Membership number: 19980026  
Certified Auditor  
Gaborone  
13 November 2020

**BOTSWANA MEAT COMMISSION  
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	NOTES	Consolidated		Commission	
		2019 P'000	2018 P'000	2019 P'000	2018 P'000
REVENUE	1	715 964	996 107	691 031	967 083
Freight, storage and other selling expenses		-86 573	-74 212	-58 290	-57 475
Livestock and meat costs	2	-540 266	-817 361	-540 266	-817 361
		<b>89 125</b>	<b>104 535</b>	<b>92 475</b>	<b>92 246</b>
Fair Value (Loss)/Gain on investment property	10	-4 890	426	-	-
Production and administration costs		-355 798	-352 782	-355 829	-328 551
Reversal of impairment/(impairment) of Trade and Other Receivables		726	-5 753	1 746	-5 753
Government Subvention		183 050	179 000	183 050	179 000
Other costs	4	-17 220	244	-15 824	-17 502
Other income	3	11 126	4 250	4 459	3 633
Impairment of Investment in Associate		-	-159	-	-
<b>OPERATING DEFICIT</b>	4	<b>-93 880</b>	<b>-70 239</b>	<b>-89 922</b>	<b>-76 924</b>
Finance costs	6	-11 512	-10 392	-14 561	-13 438
Finance income		297	338	297	298
<b>DEFICIT BEFORE TAXATION</b>		<b>-105 095</b>	<b>-80 293</b>	<b>-104 187</b>	<b>-90 063</b>
Taxation	7	-1 004	-1 475	-	-
<b>DEFICIT FOR THE YEAR</b>		<b>-106 101</b>	<b>-81 769</b>	<b>-104 187</b>	<b>-90 063</b>
<b>Other comprehensive income/(loss)</b>					
Items that will not be reclassified subsequently to profit or loss:					
Items that will be reclassified subsequently to profit or loss:					
Foreign Currency Translation Reserve		<b>13 915</b>	<b>4 976</b>	-	-
Other comprehensive income		<b>13 915</b>	<b>4 975</b>	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>-92 185</b>	<b>-76 793</b>	<b>-104 187</b>	<b>-90 063</b>

**NB: The P183 Million was received from the Government to assist working capital requirements.**

**BOTSWANA MEAT COMMISSION  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	NOTES	Consolidated		Commission	
		2019 P'000	2018 P'000	2019 P'000	2018 P'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	198 655	243 993	129 936	171 210
Right of Use Assets	9	5 473	-	-	-
Investment property	10	5 310	10 200	-	-
Investments in Subsidiaries and Associates	11	10	10	7 484	7 484
		<b>209 448</b>	<b>254 202</b>	<b>137 420</b>	<b>178 694</b>
<b>Current assets</b>					
Inventories	12	100 576	83 687	100 472	83 128
Trade and other receivables	13	72 379	81 149	62 249	64 517
Prepayments		4 531	5 593	4 322	4 869
Amounts due from group companies	25,5	-	-	31 147	22 776
Cash and cash equivalents	14	49 490	18 974	20 094	2 812
		<b>226 976</b>	<b>189 403</b>	<b>218 284</b>	<b>178 103</b>
<b>Total assets</b>		<b>436 424</b>	<b>443 606</b>	<b>355 704</b>	<b>356 797</b>
<b>RESERVES AND LIABILITIES</b>					
<b>RESERVES</b>					
Capital reserves		707 853	707 853	659 740	659 740
Loan redemption reserve		315 066	285 066	315 066	285 066
Development reserve		3 620	3 462	3 620	3 462
Stabilisation reserve		390	390	390	390
Foreign Currency Translation Reserve		1 300	-12 615	-	-
Foreign exchange stabilisation reserve		19 294	19 294	-	-
Asset revaluation reserve		181 224	181 224	123 123	123 123
Accumulated deficit		-1 285 189	-1 148 929	-1 311 359	-1 177 014
<b>Total (deficit)/reserves</b>		<b>-56 442</b>	<b>35 745</b>	<b>-209 420</b>	<b>-105 234</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	16	2 973	32 700	2 973	32 700
Deferred tax liability	17	9 307	10 742	-	-
Lease Liability	9	2 214	-	-	-
		<b>14 494</b>	<b>43 442</b>	<b>2 973</b>	<b>32 700</b>
<b>Current liabilities</b>					
Taxation payable	7	1 350	990	-	-
Lease Liability	9	2 966	-	-	-
Trade and other payables	18	272 236	312 034	284 615	309 061
Amounts due to group companies	25,6	-	-	75 718	71 617
Bank overdrafts	15	17 935	42 282	17 935	39 537
Borrowings	16	183 883	9 112	183 883	9 112
		<b>478 370</b>	<b>364 418</b>	<b>562 151</b>	<b>429 327</b>
<b>Total liabilities</b>		<b>492 864</b>	<b>407 861</b>	<b>565 124</b>	<b>462 027</b>
<b>Total reserves and liabilities</b>		<b>436 423</b>	<b>443 606</b>	<b>355 704</b>	<b>356 797</b>

**BOTSWANA MEAT COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	NOTES	Consolidated		Commission	
		2019 P'000	2018 P'000	2019 P'000	2018 P'000
<b>CASH FLOWS GENERATED IN OPERATING ACTIVITIES</b>					
Cash (used in)/generated from operations	26	-67 871	142 168	-90 133	161 256
Interest paid		-8 554	-10 392	-11 577	-13 433
Taxation paid	7	-2 455	-1 715	-	-
Net cash (used in)/generated from operating activities		<b>-78 880</b>	<b>130 060</b>	<b>-101 711</b>	<b>147 824</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		-2 490	-6 364	-2 133	-4 758
Proceeds on disposal of property, plant and equipment		69	15	69	15
Finance income		297	338	297	298
Net cash used in investing activities		<b>-2 124</b>	<b>-6 010</b>	<b>-1 768</b>	<b>-4 445</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Borrowings repaid	27	-17 640	-6 726	-17 640	-6 726
Borrowings received	27	160 000	32 700	160 000	32 700
Payment of Lease Liability		-2 330	-	-	-
Net cash generated from financing activities		<b>140 030</b>	<b>25 975</b>	<b>142 360</b>	<b>25 974</b>
Net increase in cash and cash equivalents		59 025	150 025	38 882	169 353
Net Foreign Exchange difference on cash and cash equivalents		-4 164	9 731	-	-
Cash and cash equivalents at beginning of year		-23 307	-183 066	-36 724	-206 076
Cash and cash equivalents at end of year		<b>31 555</b>	<b>-23 307</b>	<b>2 158</b>	<b>-36 724</b>
<b>Comprising:</b>					
Cash and cash equivalents	14	49 490	18 974	20 094	2 812
Bank overdrafts	15	-17 935	-42 282	-17 935	-39 537
		<b>31 555</b>	<b>-23 307</b>	<b>2 158</b>	<b>-36 724</b>

**BOTSWANA MEAT COMMISSION  
STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

<b>Consolidated</b>	<b>NOTES</b>	<b>Total P'000</b>	<b>Capital reserves P'000</b>	<b>Loan redemption reserve P'000</b>	<b>Development reserve P'000</b>	<b>Stabilisation reserve P'000</b>	<b>Foreign Translation Reserve P'000</b>	<b>Foreign exchange stabilisation reserve P'000</b>	<b>Asset revaluation reserve P'000</b>	<b>Accumulated Surplus (deficit) P'000</b>
<b>Balance at 1 January 2018</b>		-472 798	116 257	255 063	3 256	390	-17 591	19 294	181 224	-1 030 691
<b>Adjustment as a result of Adopting IFRS 9</b>		-6 259	-	-	-	-	-	-	-	-6 259
Deficit For the year		-81 769	-	-	-	-	-	-	-	-81 769
Conversion of loans into Equity		591 596	591 596	-	-	-	-	-	-	-
Foreign Exchange Effect		4 976	-	-	-	-	4 976	-	-	-
Transfers Between Reserves		-	-	30 003	206	-	-	-	-	-30 209
<b>Balance at 31 December 2018</b>		<b>35 745</b>	<b>707 853</b>	<b>285 066</b>	<b>3 462</b>	<b>390</b>	<b>-12 615</b>	<b>19 294</b>	<b>181 224</b>	<b>-1 148 929</b>
Deficit for the year		-106 101	-	-	-	-	-	-	-	-106 101
Foreign Exchange Effect		13 915	-	-	-	-	13 915	-	-	-
Transfers Between Reserves		-	-	30 000	158	-	-	-	-	-30 159
<b>Balance at 31 December 2019</b>		<b>-56 441</b>	<b>707 853</b>	<b>315 066</b>	<b>3 620</b>	<b>390</b>	<b>1 300</b>	<b>19 294</b>	<b>181 224</b>	<b>-1 285 189</b>

**BOTSWANA MEAT COMMISSION  
STATEMENT OF CHANGES IN RESERVES (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

<u>Commission</u>	NOTES	Total	Capital reserves	Loan redemption reserve	Development reserve	Stabilisation reserve	Asset revaluation reserve	Accumulated Surplus/(deficit)
		P'000	P'000	P'000	P'000	P'000	P'000	P'000
<b>Balance at 1 January 2018</b>		-600 507	68 144	255 066	3 256	390	123 123	-1 050 485
<b>Adjust as a result of Adopting IFRS 9</b>		-6 259	-	-	-	-	-	-6 259
Deficit for the year		-90 063	-	-	-	-	-	-90 063
Conversion of Loans into equity		591 596	591 596	-	-	-	-	-
Movement in Reserves		-	-	30 000	206	-	-	-30 206
<b>Balance at 31 December 2018</b>		-105 234	659 740	285 066	3 462	390	123 123	-1 177 014
<b>Deficit for the year</b>		-104 187	-	-	-	-	-	-104 187
Movement in Reserves		-	-	30 000	158	-	-	-30 158
<b>Balance at 31 December 2019</b>		-209 420	659 740	315 066	3 620	390	123 123	-1 311 359

**BOTSWANA MEAT COMMISSION  
STATEMENTS OF CHANGES IN RESERVES (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Capital Reserves**

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

**Loan redemption reserve**

Comprises amounts appropriated from income to provide for the repayment of loans as required in terms of the Botswana Meat Commission Act (Chapter 74:04) (as amended).

**Development reserve**

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

**Stabilisation reserve**

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

**Foreign exchange translation reserve**

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

**Foreign exchange stabilisation reserve**

Represents amounts of GBP250 000 (2016: GBP250 000) and US\$1.5 million (2016: US\$1 500 000), set aside by certain subsidiaries of the Commission, to be utilized 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.

**BOTSWANA MEAT COMMISSION  
FINANCIAL REVIEW BY MANAGEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**FINANCIAL REVIEW BY MANAGEMENT**

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

**a) Throughput**

**Throughput is low because of the following factors:**

- I) Declining national head;
  - II) Delayed farmers payments resulting in lack of confidence in BMC by the producing community;
  - III) Standoff between BMC and feedlotters who have since been paid 89% of their outstanding debt by end of May 2020.
- b) The effects of Covid – 19 has been devastating to BMC business Locally and externally. This has resulted in BMC revising its 2020 budget and cashflow to deal with the severe consequences of the epidemic.
- c) BMC Financial resources are mainly from meat sales and Government subvention as reflected in the Income Statement;
- d) No Goodwill has been recognized in the Statement of Financial Position as the BMC Group has not acquired any businesses that have given rise to goodwill; and
- e) BMC does not present environmental reports and value – added statements.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**1. GENERAL INFORMATION**

Botswana Meat Commission ("BMC") is a Parastatal and was established in 1965 to promote the development of the country's livestock industry and the sale of the country's beef and related products globally. Its headquarters are in Lobatse. The premises are an integrated complex housing an abattoir, cannery and by-products plant as well as a tannery. Besides owning three abattoirs in Botswana, BMC has cold storage facilities (subsidiary) in South Africa with marketing subsidiaries in the United Kingdom and South Africa.

**2. BASIS OF PREPARATION**

The consolidated and separate financial statements are prepared under the historical cost convention with the exception of certain items in the statement of financial position which are shown at fair value.

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

**3. Statement of Compliance**

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

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**4. BASIS OF CONSOLIDATION**

**a) Investments in Subsidiaries**

Subsidiaries are all entities over which the Commission has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. At a commission level the subsidiaries are measured at cost.

The acquisition of subsidiaries is accounted for using the purchase method. These are measured at cost at company level. The cost of an acquisition is measured as the fair value of the assets given and the amount of any non-controlling interest in the acquire. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

All intra-group transactions, balances, income, expenses and unrealised gains on transactions are eliminated on consolidation. Unrealised losses are also eliminated but considered as an impairment indicator of the assets transferred. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**b) Investment in Associates**

An associate is an entity in which the Commission has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost at Company Level . Under the equity method, the Group's share of the post-acquisition profits

or losses of associates is recognised in Profit and Loss and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate 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.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**INVESTMENT IN ASSOCIATE (CONTINUED)**

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

**Investment in Associate Impairment**

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

**5. FOREIGN CURRENCY TRANSACTIONS**

**a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Botswana Pula, which is the Commission's functional and presentation currency.

**b) Transactions and balances**

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

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

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

**6. GROUP COMPANIES**

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

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**Group Companies (Continued)**

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each Profit/Loss item are translated at average exchange rates; and
- All resulting exchange differences are recognised as Other comprehensive Income in a separate component of equity in the foreign currency translation reserve.

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

**7. INVENTORIES**

**a) Finished goods**

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

- Meat stocks are valued at average cost of production;
- Deboned and processed meat stocks are valued at meat stock costs plus production and processing overheads; and
- By-products are valued at average cost of production.

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

**b) Consumable stores**

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

**8. PROPERTY, PLANT AND EQUIPMENT**

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

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

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

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

Buildings	15-20 years;
Leasehold, Land and buildings	the shorter of the lease period or 15-20 years;
Plant and machinery	5-15 years;
Vehicles	3-10 years;
Furniture, fittings and equipment	5-7 years; and
Computer equipment	3-5 years.

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

**IMPAIRMENT OF NON-FINANCIAL ASSETS**

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

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

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

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)**

**31 DECEMBER 2019**

**Impairment of non-financial assets (Continued)**

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

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

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

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus.

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

**9. IAS 23: Borrowing Costs**

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

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**10.EMPLOYEE BENEFITS**

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

**a) Pension obligations**

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

**b) Provisions, contingent assets and contingent liabilities**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all 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.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**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 2019 to the Commission totalled P183 Million. These funds were for payment of farmers.

**12. INVESTMENT PROPERTY**

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

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**(INVESTMENT IN PROPERTY CONTINUED)**

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

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

**13. RELATED PARTIES**

Related parties are defined as those parties that:

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

**14. TAXATION**

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

**a) Current tax**

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

The Commission is exempt from paying income tax in Botswana.

**b) Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all deductible.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**Deferred Tax (Continued)**

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

Such deferred tax assets and liabilities are not recognized 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 realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

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

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

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

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**Current and deferred tax for the period (continued)**

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

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

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**15. IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS**

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

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

Identify a contract with a customer;

Identifying the performance obligations;

Determining the transaction prices;

Allocating the transaction price to the performance obligations; and

Recognising revenue when/as performance obligation(s) are satisfied.

The Commission often enters into transactions involving a range of Commission's products and services, for example "beef and allied beef products" and "cold storage and shipping fees". In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

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

**a) Beef and allied beef products**

Revenue from the sale of beef and beef related products for a fixed fee is recognised when or as the Commission transfers control of the assets to the customer. Invoices for goods or services transferred are due between 14 to 30 days upon receipt by the customer. For stand-alone sales of beef and beef related products that are supplied directly to the customer, without passing first through subsidiary control transfers at the point in time the customer takes delivery of the goods.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**b) Cold storage fees and shipping fees**

The Commission's cold storage point in Cape Town operates a cold storage facility and offers shipping services. The cold storage facility and shipping services are considered to be a separate performance obligation as they provide customers with a material right to store and ship their products under controlled conditions they would not have received otherwise. The Commission allocates the transaction price between the material right to store and ship as a performance obligation identified in a contract on a relative stand-alone selling price basis. Revenue from the cold storage is recognised on a daily basis and revenue from shipping is recognised at a point goods are dispatched from the cold storage and this is when control passes. The storage facility acts as clearing and shipping agent to the different entities they provide services to.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**16. IFRS 9 FINANCIAL INSTRUMENTS**

**1. CLASSIFICATION**

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

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

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

**2. Initial recognition and measurement**

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

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

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

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

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**Initial recognition and measurement (Continued)**

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

**1. Subsequent measurement**

**Financial Assets**

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

**Financial Liabilities**

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

**2. Derecognition of financial instruments**

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

**3. Impairment of financial assets**

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

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

**Impairment of financial assets (Continued)**

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

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

**1. Impairment of trade and other receivables**

The Group applies a simplified approach to measuring the expected credit losses (ECL) in accordance with IFRS 9, which uses a lifetime expected loss allowance for all trade receivables. The model takes into account the Groups 's historical default rates over the expected life of the trade receivable which is normally 12 months.

In computing the ECL, the Group takes into account the movement of the debtors' balances from one age category to the next in order to determine the probability of default after a period of 12 months. When a debtor defaults, the Group expects 100% loss. The ECL calculation therefore is a product of the probability of default (PD), the loss given default and the carrying amount of the debtors.

**2. Cash and cash equivalents**

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

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

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

**Significant accounting judgements, estimates and assumptions**

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

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

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

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

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

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**Determining the probability of default rate (Continued)**

The net flow rate analysis is based on a Markov chain process, the states of the process being the days past due buckets of the debt outstanding. By characterizing several buckets as an indicator for a default, a PD can be calculated as the probability of an outstanding debt to end up in such a bucket.

4.To incorporate the future looking forward information as required by the standard, the, Gross Domestic Product (GDP) is used as the macroeconomic factor.

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

**21. Impairment of non-financial assets**

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

**22. Inventory Valuation**

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

**23. Going Concern**

The Commission's Management has made an assessment of the Commission's and Group's ability to continue as a going concern. This has been noted in note 30.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

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

**a) Standards, Amendments adopted by BMC for the first time in 2019**

The Group and commission applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2019. The Group and Commission has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

<b>Standard/ Interpretation</b>	<b>Title</b>	<b>Details</b>
IFRIC 23	Uncertainty over Income Tax Treatment	The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The date of application of IFRIC 23 for the Group is 1 January 2019.
IAS 23	Borrowing Cost	<p><b>IAS 23 AMMENDMENTS</b></p> <p>The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for intended use or sale are complete.</p> <p>Any entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with the early adoption permitted. Since the Commission's current practice is in line with these amendments, the Commission does not expect any effect on its consolidated statements.</p>
IFRS 16	Leases	IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 superseded guidelines in IAS 17 Leases and the related interpretations when it became effective for accounting periods beginning on or after 1 January 2019. The date of application of IFRS 16 for the Group is 1 January 2019.
IAS 28	Long-term In Associates and Joint Ventures	Clarification provided that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. There is no impact in the Group Consolidated Financial Statements

**Standards, Changes Amendments and interpretations**

**25. IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment - Effective for period beginning 1 January 2019***

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

**The Interpretation specifically addresses the following:**

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

The Interpretation may be applied retrospectively with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application. In this approach, comparative information is not restated. The Group Taxation is not complex and hence uncertainty to tax treatments remote.

**26. IAS 23 AMMENDMENTS**

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

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

**Standards, Changes Amendments and interpretations**

**27. IFRS 16 Leases Amendments**

IFRS 16 Leases is a new standard which supersedes IAS17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases Incentives and SIC 27 Evaluating the Substance of Transaction Involving the Legal Form of a Lease. The standard sets out the principles of recognition, measurement, presentation and disclosure of leases, and requires the lessees to recognize most of the leases on the Balance Sheet.

The Group adopted IFRS 16 using the Modified Retrospective Method whereby the Lease Liability and the Right of Use Asset are not restated and are equal on adoption as at 1<sup>st</sup> January 2019 adjusted by the amount of any prepaid payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. The impact of adopting IFRS 16 is disclosed under Note 9.

The following are significant estimates and judgements used by the Group in application of IFRS 16 and are disclosed under note 9.

- i. Incremental Borrowing Rate (IBR)
- ii. The Group is to use 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 making a decision to extend or not to extend lease contracts.

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 used commercial banks' prime lending rates, to discount the lease payment for the remaining term of the lease, as they reflect the minimum rate that can be lent should any company in the group require borrowings.

The company has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases.

The Group has also elected to use the recognition exemptions of lease for lease contracts that at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short term leases) and lease contracts for which the underlying asset is of low value (low-value assets, less than P100,000). These leases are expensed on a straight line or other systematic basis.

**BMC as a lessee:** A lease liability and right-of-use asset for all leases are recognised 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 payments included in the measurement of the lease liability consists of the following:

- Any lease payments made at or before the commencement date
- Any direct costs incurred

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**Standards, Changes Amendments and interpretations**

**BMC as a lessee (Continued)**

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

The Group lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which is located or restore the underlying asset to a specified condition.

**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 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.

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

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

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

**Right-of-use Asset**

The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**Standards, Changes Amendments and interpretations**

**Right-of-use Asset (Continued)**

However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model. The accounting policy for the revaluation model is explained in the property, plant and equipment accounting policy.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Group applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

**a) BMC as lessor:**

Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification. A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand-alone price of the increase in scope;

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

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

**Subleased Assets**

The Group can decide to sublease some assets leased with the head lessor, hence becoming an intermediate lessor.

If the asset leased is classified as an operating lease the Group assume liability of the lease term, hold ownership of the asset and recognise the lease income.

Conversely if the Group decides to classify the lease as a finance lease, the asset may be transferred to the lessee and the group as the intermediate lessor recognise a lease investment. However, the Group remains with the liability for the asset.

**BOTSWANA MEAT COMMISSION**  
**GROUP ACCOUNTING POLICIES (CONTINUED)**  
**31 DECEMBER 2019**

Standards, amendments and interpretations to existing standards but not effective for 31 December 2019 year-end and have not been early adopted by the Group and Company:

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

	Standard/ Interpretation	Amendment	Details
a)	IAS 1 & IAS 8	Definition of Materiality	The International Accounting Standards Board (IASB) has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted.
b)	THE CONCEPTUAL FRAMEWORK	Amendments to the references to the Conceptual Framework in the IFRS Standards	The IASB issued the revised Conceptual Framework for Financial Reporting (the revised Conceptual Framework) on 29 March 2018. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The Group does not anticipate for this to have an impact in its financial statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2020, with earlier adoption permitted.
c)	Amendments to IAS 1	Classification of liabilities as current on non current	The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non current. The amendment include classifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted.
d)	Amendments to IAS 16	Property Plant and Equipment : Proceeds before Intended Use	The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The Group has performed the assessment on the above new pronouncement and amendment and conclude that they will be no material impact. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted
	IFRS 16	Covid - 19 (Related rent concessions)	The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss. The Group has performed the assessment on the above new pronouncement and amendment and conclude that they will be no material impact. The amendments are effective for annual reporting periods beginning on or after 1 June 2020.
	AIP IFRS 9	Fees in the "10 percent" test for derecognition of financial liabilities	The amendment clarifies which fees an entity includes when it applies the '10 per cent' test of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The Group has performed the assessment on the above new pronouncement and amendment and conclude that they will be no material impact. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2019**

**Standards, amendments and interpretations to existing standards but not effective for 31 December 2019 year-end and have not been early adopted by the Group and Company:**

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

The International Accounting Standards Board (IASB) has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

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

**Primary users.** The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

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

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

**b) Effective date**

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

**BOTSWANA MEAT COMMISSION**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

	<u>Consolidated</u>		<u>Commission</u>	
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
<b>1 REVENUE</b>				
Sale of meat and allied meat products	691 031	967 083	691 031	967 083
Shipping and Cold Storage Services	24 932	29 024	-	-
	<b>715 964</b>	<b>996 107</b>	<b>691 031</b>	<b>967 083</b>

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

**For the year Ended 31 December 2019**

	Sale of meat and allied meat products	Shipping and Cold Storage Services	Total
Norway, Europe and United Kingdom	348 973	-	348 973
RSA and other SADC countries	231 454	24 932	256 386
Botswana	110 604	-	110 604
UK	-	-	-
<b>Total</b>	<b>691 031</b>	<b>24 932</b>	<b>715 964</b>

**For the year Ended 31 December 2018**

	Sale of meat and allied meat products	Shipping and Cold Storage Services	Total
Norway, Europe and United Kingdom	515 624	-	515 624
RSA and other SADC countries	302 567	29 024	331 591
Botswana	148 892	-	148 892
<b>Total</b>	<b>967 083</b>	<b>29 024</b>	<b>996 107</b>

	<u>Consolidated</u>		<u>Commission</u>	
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
<b>2 NET LIVE STOCK AND MEAT COSTS</b>				
Opening Inventory (Note 12)	62 235	61 437	62 235	61 437
Livestock and meat purchases	559 201	818 159	559 201	818 159
Cattle purchases	<b>621 436</b>	<b>879 596</b>	<b>621 436</b>	<b>879 596</b>
Closing Inventory (Note 12)	-81 170	-62 235	-81 170	-62 235
	<b>540 266</b>	<b>817 361</b>	<b>540 266</b>	<b>817 361</b>
<b>3 OTHER INCOME</b>				
Sundry income	11 126	4 250	4 219	3 393
Income from related parties - Management Fees	-	-	240	240
	<b>11 126</b>	<b>4 250</b>	<b>4 459</b>	<b>3 633</b>

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

**BOTSWANA MEAT COMMISSION**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

31 DECEMBER 2019

**4 OPERATING DEFICIT**

	<u>Consolidated</u>		<u>Commission</u>	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
Operating Deficit is stated after taking the following into account:				
<b>OTHER COSTS</b>				
Net exchange (losses)/gains	-17 289	231	-15 893	-17 514
Profit/(Loss) on disposal of property, plant and equipment	69	13	69	13
	<b>-17 220</b>	<b>244</b>	<b>-15 824</b>	<b>-17 502</b>

**Production and administration costs**

	<b>-355 798</b>	<b>-352 782</b>	<b>-355 829</b>	<b>-328 551</b>
Other Production and administration costs	-175 953	-157 243	-184 646	-155 176
Depreciation of property, plant and equipment	-21 499	-22 869	-16 267	-17 521
Depreciation on right- of-use-asset	-1 963	-	-	-
Impairment	-27 141	-	-27 141	-
Auditor's remuneration	-2 318	-2 821	-1 740	-1 825
- current	-2 080	-2 821	-1 740	-1 825
- prior year	-238	-	-	-
Commissioners				
- Fees and emoluments	-111	-161	-118	-161
- Expenses				
Operating lease payments		-2 216		
Staff costs (note 5)	-126 814	-167 472	-125 918	-153 868
Fair value (loss)/gain of investment property	-4 890	426	-	-
Impairment of Trade and Other Receivables	726	-5 753	1 746	-5 753
Government Subvention	183 050	179 000	183 050	179 000
Impairment On Investment Associate	-	-159	-	-

**5 STAFF COSTS**

Wages and salaries	90 364	98 560	89 469	85 595
Pension fund costs (All pension fund costs relate to a defined contribution plan)	7 774	8 916	7 774	8 277
Staff allowances and other staff costs	28 675	59 997	28 675	59 997
	<b>126 814</b>	<b>167 472</b>	<b>125 918</b>	<b>153 869</b>

**6 FINANCE COSTS**

Bank overdraft	1 709	1 872	1 703	1 706
Borrowings	9 803	8 521	9 530	8 521
Related parties	-	-	3 326	3 211
	<b>11 512</b>	<b>10 392</b>	<b>14 561</b>	<b>13 438</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

7 TAXATION	<u>Consolidated</u>		<u>Commission</u>	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
Botswana taxation:				
- current year	-713	84	-	-
- prior years tax relief	-	-	-	-
	<b>-713</b>	<b>84</b>	-	-
Foreign taxation:				
- current taxation	2 815	2 072	-	-
- deferred taxation	-1 097	-681	-	-
	<b>1 718</b>	<b>1 391</b>	-	-
Total taxation	<b>1 004</b>	<b>1 475</b>	-	-

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

Balance payable at beginning of year	990	1 230	-	-
Current tax charge	2 815	1 475	-	-
Tax (paid)	-2 455	-1 715	-	-
Tax set off against VAT liabilities	-	-	-	-
Tax relief	-	-	-	-
Balance payable at end of year	<b>1 350</b>	<b>990</b>	-	-

Disclosed in the statements of financial position as:

Taxation payable	1 350	990	-	-
	<b>1 350</b>	<b>990</b>	-	-

**Tax Rate Reconciliation**

	%	%	%	%
<b>Income tax</b>				
Standard Rate	-	-	-	-
Foreign Tax	1,63%	1,73%	-	-
Effect of higher tax rate in subsidiary	-0,68%	0,10%	-	-
Effective Tax Rate	<b>0,96%</b>	<b>1,84%</b>	-	-
Profit before tax	-105 095	-80 293	-	-
Foreign tax	-1 718	-1 391	-	-
Tax on Mainline sub income	713	-84	-	-
<b>Total Tax</b>	<b>-1 004</b>	<b>-1 475</b>	-	-
	<b>0,96%</b>	<b>1,84%</b>	-	-

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

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

8	PROPERTY, PLANT AND EQUIPMENT	8.1 Consolidated									
		FV Freehold Land and Buildings P'000	FV Leasehold Land and Buildings P'000	FV Plant and Machinery P'000	Cost Motor Vehicles P'000	Cost Furniture and Equipment P'000	Cost Computer Equipment P'000	Capital Work in Progress P'000	Total Cost/FV P'000		
<b>Year ended 31 December 2019</b>											
	Opening carrying amount	183 337	3	56 205	159	2 057	1 979	241	243 993		
	Exchange differences	588	-	228	-	3	(7)	-1	812		
	Additions	1 297	-	707	-	405	81	-240	2 490		
	Inter Class Transfers	-	-	240	-	-	-	-	-		
	Disposals	(5 233)	-	(14 610)	(324)	-	(120)	-	(444)		
	Depreciation charge	(22 316)	-	(4 825)	(73)	(677)	(906)	-	(21 499)		
	Impairment Charge	-	-	-	-	-	-	-	(27 141)		
	Depreciation on disposals	-	-	-	324	-	120	-	444		
	Closing carrying amount	157 674	3	37 945	85	1 788	1 148	-	198 655		
<b>At 31 December 2019</b>											
	Cost/valuation	250 439	4 595	191 293	20 213	18 493	36 486	-	521 528		
	Accumulated depreciation and impairment	(92 764)	(4 592)	(153 348)	(20 126)	(16 706)	(35 338)	-	(322 873)		
	Carrying amount	157 675	3	37 944	85	1 787	1 148	-	198 655		
<b>Year ended 31 December 2018</b>											
	Opening carrying amount	190 429	3	67 400	452	2 934	2 938	886	265 042		
	Assets Revaluation	-	-	-	-	-	-	-	-		
	Impairment	-	-	-	-	-	-	-	-		
	Exchange differences	(3 704)	-	(720)	-	(31)	(23)	(59)	(4 531)		
	Additions	1 160	-	4 471	-	336	397	(591)	6 364		
	Inter Class Transfers	591	-	-	-	-	-	-	-		
	Disposals	-	-	-	-	-	(17)	-	(17)		
	Depreciation	(5 138)	-	(14 946)	(293)	(1 182)	(1 300)	-	(22 860)		
	Depreciation charge on disposals	-	-	-	-	-	-	-	(15)		
	Closing carrying amount	183 338	3	56 205	159	2 057	1 979	241	243 993		
<b>At 31 December 2018</b>											
	Cost/valuation	248 563	4 595	190 118	20 537	18 085	36 531	240	518 658		
	Accumulated depreciation and impairment	(65 215)	(4 592)	(133 913)	(20 377)	(16 029)	(34 552)	-	(274 678)		
	Carrying amount	183 338	3	56 205	159	2 057	1 979	240	243 993		

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

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

**Lease Hold Land & Buildings P3,000**

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 2019**

8	PROPERTY PLANT AND EQUIPMENT	FV Freehold		FV Plant and Machinery P'000	Cost Motor Vehicles P'000	Cost Furniture and Equipment P'000	Cost Computer Equipment P'000	Capital Work in Progress P'000	Total P'000	
		Land and Buildings P'000	Leasehold Land and Buildings P'000							
<b>Commission</b>										
Year ended 31 December 2019										
	Opening carrying amount	131 631	3	36 253	143	1 176	2 005	-	171 210	
	Additions	1 003		929		121	81		2 133	
	Depreciation charge	(5 233)		(9 636)	(73)	(419)	(906)		(16 287)	
	Impairment Charge	(22 316)		(4 825)	(324)		(120)		(27 141)	
	Disposals	-		-	324		120		(444)	
	Depreciation on disposals	-		-					444	
	Closing carrying amount	105 085	3	22 721	70	877	1 180	-	129 936	
At 31 December 2019										
	Cost/valuation	197 852	4 548	143 685	19 289	14 716	36 078	-	416 168	
	Accumulated depreciation and impairment	(92 766)	(4 545)	(120 965)	(19 221)	(13 838)	(34 863)	-	(286 198)	
	Carrying amount	105 085	3	22 721	70	877	1 180	-	129 936	
Year ended 31 December 2018										
	Opening carrying amount	135 324	3	42 967	436	2 130	2 956	422	184 242	
	Assets Revaluation									
	Impairment									
	Additions	1 027	-	3 082		252	397	(422)	4 758	
	Inter Class Transfers	422								
	Depreciation charge	(5 141)		(9 796)	(293)	(1 206)	(1 315)		(17 751)	
	Disposals	-		-			(17)		(17)	
	Depreciation on disposals	-		-			(15)		(15)	
	Closing carrying amount	131 631	3	36 253	144	1 176	2 005	-	171 210	
At 31 December 2018										
	Cost/valuation	196 849	4 548	142 757	18 887	14 595	35 962	-	413 598	
	Accumulated depreciation and impairment	(65 218)	(4 545)	(106 504)	(18 745)	(13 419)	(33 957)	-	(242 387)	
	Carrying amount	131 631	3	36 253	143	1 176	2 005	-	171 210	

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

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

Lease Hold Land & Buildings P3,000

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 2019**

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

The fair value of the Property, Plant and Equipment which are revalued as per the Group policy (Freehold Land & Buildings and Plant & Machinery) is determined by an independent valuer with appropriate qualifications and experience in the valuations of the property, plant and equipment of the Commission. The Group carries out its revaluation every 3 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 input 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.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

**IMPAIRMENT**

BMC operates in the cattle industry which is subject to unpredictable factors. Historically, the business has been negatively impacted by drought due to lack of rain. Live Cattle export in 2019 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 Group assessed, as at 31 December 2019, whether there is an indication of asset impairment.

The Discounted Cash Flow methodology ("DCF") was used for the purpose of determining the equity value of the company. This has been compared to the underlying group of Net Asset Value ("NAV") for the purposes of impairment testing. The business currently operates through three Cash Generating Units (CGU's), being the three factories (slaughterhouses), one cannery and the head-office. Management determined the enterprise value of the CGUs by applying their estimate of the Weighted Average Cost of Capital ("WACC") to the forecast cash flows. The equity values were then calculated by deducting the debt and adding back the cash balances in those CGUs.

The recoverable amount was determined using the value in use and the amount was 45.7 million. The impairment was attributed to the PPE in the CGUs. This impairment was allocated to land and buildings plant and machinery on a pro-rata basis.

The equity value of the group was calculated using both the "sum-of-the-parts" approach ("bottom-up") and a consolidated group valuation ("top-down"). Management has determined the recoverable amount on a pre-tax basis. This has been consistent across all the impairment calculations and is in line with preferred methodology. When testing for impairment, the recoverable amount is calculated to determine whether it is greater than or less than the carrying value. The recoverable amount is the greater of the fair value and value in use. The level of the fair value hierarchy within which the fair value measurement of the asset (cash generating units) is categorized as level 3. The discounted cash flows is the valuation technique used. The discount rate used was 11.29 % and the growth rate is between 3 % and 4%.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

**9 Lease Liabilities**

The Group leases consists mostly of administrative offices, meat handling property and printers. Leases are negotiated 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 markets 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.

**IMPACT OF IFRS 16 ON FINANCIAL STATEMENTS**

On transition to IFRS 16, the Group recognised P 4,4 million of right of use asset and lease liability as at 1 January 2019 and the prepayment of the lease liability made in 2018 offset against the right of use asset. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate as at 1 January 2019. The weighted average rate applied is 1.75% in UK and 10% in South Africa.

**Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16**

Operating lease commitment at 31 December 2018 as previously disclosed	5 391
Discounted using the incremental borrowing rate at 01 January 2019	4 948
Less recognition exemption for:	
Short term leases	-550
<b>Lease liabilities recognised at 01 January 2019</b>	<b>4 398</b>

<b>The following amounts are recognised in the statements of profit and loss and other comprehensive income</b>		
Depreciation on right - of use-assets		1 963
Interest paid		275
<b>Total amount recognised in Profit or loss</b>		<b>2 238</b>

**Lease liabilities reconciliation**

**Carrying amounts of lease liabilities and movements during the period**

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

**Right of use Assets Recognition**

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

	<u>BUILDINGS</u>	<u>FORK LIFT</u>	<u>RACKING SYSTEM</u>	<u>PRINTERS</u>	<u>TOTAL</u>
As at 01 January 2019	1 789	272	2 030	308	4 398
2018 Prepayment B/F	201	-	-	-	201
New Lease	-	2 732	-	105	2 837
Depreciation Expenses	-796	-161	-925	-81	-1 963
<b>As at 31 December 2019</b>	<b>1 194</b>	<b>2 842</b>	<b>1 104</b>	<b>333</b>	<b>5 473</b>

**Minimum lease payments due:**

	<u>2019</u>	<u>2018</u>
Within 1 year	2 966	-
2-5 years	2 214	-
<b>Present Value of minimum lease payments</b>	<b>5 180</b>	<b>-</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>P'000</b>	<b>P'000</b>
<b>10 INVESTMENT PROPERTY</b>		
Opening carrying amount	10 200	9 774
Fair Value adjustment	-4 890	426
Closing carrying amount	<u>5 310</u>	<u>10 200</u>
<b>Fair value</b>	<u><b>5 310</b></u>	<u><b>10 200</b></u>

The fair value of the investment property was determined as at 31 December 2019 by Knight Frank Botswana (Proprietary) Limited, an independent valuer with appropriate qualifications and experience in the valuation of the properties in the relevant location. For investment properties, a valuation methodology based on a Discounted Cash flow model was used. The valuation covers filling station, warehouse, workshop and ancillary offices as they located in the same place.

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

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is

typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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

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

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

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

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

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

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

**Investment 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)	
		2019 P'000	2018 P'000
Calton filling station (Valuation Technique used DCF Method)	Estimated rental value per month	29,330	29,330
	Rent growth P.A.	8.8%	8%
	Long-term vacancy rate	31%	1%
	Discount rate	6%	8%
Rental Income		352	613
Expenses on properties on which rental income is earned		240	240
Profit on investment property		112	273

	% Equity held	Consolidated		Commission	
		2019 P'000	2018 P'000	2019 P'000	2018 P'000
<b>11 INVESTMENTS</b>	<b>held</b>				
<b>Subsidiary companies:</b>					
Botswana Meat Commission (UK) Holdings Limited - UK London					
Shares at cost	100	-	-	2 886	2 886
Lobato 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
Debentures in Clifton School					
These are debentures held at Fair Value and they carry no interest and no fixed maturity date.					
<b>Associates: GPS Norway</b>					
GPS Food Group AS - shares at cost (33%)		-	152	-	-
Effect of foreign exchange rates		-	7	-	-
Share of the profit of GPS Food Group AS		1 778	2 808	-	-
		1 778	2 967	-	-
Impairment		-1 778	-2 967		
		10	10	7 484	7 484

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

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

KEY FINANCIALS	2019	2018	Statement of Financial Position	2019	2018
Income Statement			Statement of Financial Position		
Sales Revenue	344 023	371 198	Current Liabilities	85 907	30 175
Profit Before Tax	6 533	8 508	Current Assets	80 726	49 487
Profit After Tax	5 387	7 061	Cash and Cash Equivalents	29 115	1 647
Interest Income	-	59	Non Current Assets	113	165
Total Operating Expense	337 496	362 690	Non Current Liabilities	-	-
Depreciation	50	26	Total Equity	15 633	10 477
Income tax Expense	1 146	846			

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

**Associates: GPS Norway (Continued)**

**IMPAIRMENT OF GPS NORWAY - THE RELATED DISCLOSURES**

BMC UK Holdings Ltd own 33% shares in GPS Norway. Since its inception the Associate has not paid any dividends to BMC UK, thus no cash inflows have come through from the investment. Currently the Associate Investment in GPS Norway is impaired to a nil amount. There has also been a dispute between GPS FOOD GROUP IRELAND and BMC since the expiry of Agency Contract in June 2019. That is GPS Food Group Ireland which used to sell BMC products in the EU and Norwegian markets. Though the Investment in GPS Norway by BMC UK Holdings Ltd is independent the board has expressed its displeasure and would want to disinvest in GPS Norway, in view of the following aspects:

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

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

12 INVENTORIES	Consolidated		Commission	
	2019	2018	2019	2018
Finished goods	89 762	66 442	89 762	66 442
Obsolete inventory allowance - Finished goods	-8 592	-4 207	-8 592	-4 207
	<b>81 170</b>	<b>62 235</b>	<b>81 170</b>	<b>62 235</b>
Stores	19 405	21 452	19 301	20 893
Obsolete inventory allowance - Stores	-	-	-	-
	<b>19 405</b>	<b>21 452</b>	<b>19 301</b>	<b>20 893</b>
<b>GRAND INVENTORY</b>	<b>100 576</b>	<b>83 687</b>	<b>100 472</b>	<b>83 128</b>
<b>BREAK DOWN OF FINISHED GOODS</b>				
Meat Stocks	7 404	5 891	7 300	5 331
Deboned Meat Stocks	67 303	51 273	67 407	51 833
By-products	6 462	5 071	6 462	5 071
<b>TOTALS</b>	<b>81 170</b>	<b>62 235</b>	<b>81 170</b>	<b>62 235</b>

During 2019 nil (2018: 2,025,595) was recognised as an expense for inventories carried at net realisable value.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

13 TRADE AND OTHER RECEIVABLES	Consolidated		Commission	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
Trade receivables	95 374	87 184	94 342	74 121
Allowances for expected credit losses	-39 593	-40 320	-38 574	-40 320
Trade receivables - net	55 780	46 864	55 768	33 802
Value added tax	4 672	27 249	4 672	27 249
Other receivables	11 926	7 035	1 809	3 466
	<b>72 379</b>	<b>81 149</b>	<b>62 249</b>	<b>64 517</b>

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

**Movement in the allowance for doubtful debts**

Balance at beginning of year	40 320	28 307	40 320	28 307
Opening Loss allowance as at 1- January - Calculated Under IFRS 9	-	6 259	-	6 259
Additional Amounts raised	2 446	12 401	1 527	12 401
Amounts Utilized	-3 173	-6 649	-3 273	-6 649
Balance as at end of years	<b>39 593</b>	<b>40 320</b>	<b>38 574</b>	<b>40 320</b>

In determining the recoverability of a trade receivable, the Group and Commission consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. There is low credit risk relating to trade receivables as they are in different regions. All sales are to wholesalers accordingly, the Commissioners believe that there is no further allowance required in excess of the allowance for doubtful debts recognised in the statement of financial position. The average credit period is 30 days (2018: 30 days).

The Commission Receivables are split by regions and markets as follows:

	2019	2018
Europe	P 23,603	P 22,083
South Africa	P 33,984	P 11,575
Local	P 30,791	P 28,149
Other Markets	P 5,964	P12,314

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

The Group evaluates the concentration of risk with respect to trade receivables as low as the customers are spread across the regions. Credit risk is more concentrated in South African Market which has a bigger amount for the receivables.

**14 CASH AND CASH EQUIVALENTS**

Cash at bank and in hand	43 182	11 728	19 525	1 322
Short-term deposits	6 309	7 246	568	1 491
	<b>49 490</b>	<b>18 974</b>	<b>20 094</b>	<b>2 812</b>

**15 BORROWINGS AND BANK OVERDRAFTS**

<b>Current</b>				
Bank overdrafts	17 935	42 282	17 935	39 537
	<b>17 935</b>	<b>42 282</b>	<b>17 935</b>	<b>39 537</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

16 BORROWINGS (CONTINUED)	Consolidated		Commission	
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
<b>Bank overdrafts comprise:</b>				
Trade finance	637	11 402	637	11 402
Bank ABC	637	8 333	637	8 333
Standard Chartered Bank Botswana Limited	-	3 070	-	3 070
<i>Current account overdraft</i>	17 298	30 879	17 298	28 135
Standard Chartered Bank Botswana Limited	7 514	18 416	7 514	18 416
Standard Bank		2 745		
Bank ABC	9 785	9 718	9 785	9 718
	<b>17 935</b>	<b>42 282</b>	<b>17 935</b>	<b>39 538</b>
<b>Overdraft/trade finance facilities limits</b>				
Amount utilised	17 935	42 282	17 935	39 537
Amount available	355 826	331 575	352 065	330 609
Total facility	<b>373 762</b>	<b>373 857</b>	<b>370 000</b>	<b>370 146</b>

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

Botswana pula denominated (thousand)	BWP370 000	BWP370 000	BWP370 000	BWP370 000
South African Rand denominated- Held with Standard Bank (thousand)	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.

**TOTAL BORROWINGS RECONCILIATION**

TOTAL BORROWINGS	186 856	41 812	186 856	41 812
Short Term Borrowings	-183 883	-9 112	-183 883	-9 112
Long Term Borrowings	<b>2 973</b>	<b>32 700</b>	<b>2 973</b>	<b>32 700</b>

**NB:**

Standard Chartered Bank Botswana Limited term loan. The loan has been provided for 24 months at a rate of prime payable at the last day of interest period. The loan amount is P20.809 million at year end. The loan is secured by a guarantee from the Government of the Republic of Botswana.

African Banking Corporation of Botswana Limited t/a BancABC. The loan of P3.363million had a moratorium for 7 months ended 31 March 2011. The repayments thereafter are over a 10 year period at an interest rate of prime (6.5%), less 2.75%.

The bulk of BMC Loans as compared between 2017 and 2018 were comprised mainly of Government loans. Government took a decision through a CAB Memorandum no 250 A(S) 4/2 /2 XXIV to convert the loans into equity which reduced significantly BMC borrowings from P607 Million to P41.8 million in 2018. The conversion was carried out at carrying value as the Government acted as a shareholder.

A new Government loan was extended to the Commission in 2019. The loan has been provided for 12 months at a rate of 5%.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

	<u>Consolidated</u>		<u>Commission</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>16 BORROWINGS (CONTINUED)</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
<b>16,1 Non-current - Unsecured (continued)</b>				
Loan is repayable at a rate not exceeding 5% per annum.	-	-	-	-
Capital	160 000	-	-	-
Interest	2 683	-	-	-
<b>Total Government of Botswana Loans</b>	<b>162 683</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long Term		462 246	-	462 246
Current Portion of Government Loans	162 683	129 350	-	129 350
Conversion of Government Loans into Equity		-591 596	-	-591 596
<b>Government Loans</b>	<b>162 683</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Conversion of the government loan happened at the beginning of the year in 2018.

A Government loan of P 160 Million at an annual interest rate of 5% was obtained in August 2019.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

	<b>Consolidated</b>		<b>Commission</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>17 DEFERRED TAXATION</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Balance at beginning of year	10 742	12 655	-	-
Exchange differences	-337	-1 232	-	-
Profit and Loss	-1 097	-681	-	-
Balance at end of year	<b>9 307</b>	<b>10 742</b>	-	-

Note 7

**DEFERRED TAX TEMPORARY DIFFERENCES**

**Deferred Tax Liability**

Accelerated Depreciation for tax purposes	1 690	1 671	-	-
Prepaid Expenditure	288	193	-	-
Revaluation of assets	8 852	9 512	-	-
<b>Total Deferred Tax Liability</b>	<b>10 831</b>	<b>11 376</b>	<b>-</b>	<b>-</b>

**Deferred tax asset**

<b>Provisions</b>	<b>-1 524</b>	<b>-633</b>	-	-
-------------------	---------------	-------------	---	---

Deferred Tax Liability	10 831	11 376	-	-
------------------------	--------	--------	---	---

Deferred tax asset	-1 524	-633	-	-
--------------------	--------	------	---	---

<b>Total Net Deferred Tax Liability</b>	<b>9 307</b>	<b>10 742</b>	<b>-</b>	<b>-</b>
---	--------------	---------------	----------	----------

**18 TRADE AND OTHER PAYABLES**

Trade payables	203 114	233 273	225 619	231 999
Accrued expenses	17 418	34 975	8 160	33 790
Payroll accruals	12 639	12 749	12 639	12 749
Withholding tax payable	33 708	26 730	32 861	26 256
Advances from customers	2 061	1 435	2 061	1 424
Other payables	3 296	2 871	3 275	2 842
	<b>272 236</b>	<b>312 034</b>	<b>284 615</b>	<b>309 061</b>

**WITHHOLDING TAX:**

Represents Withholding Tax at 4% for slaughtered/procured cattle.

**CREDIT PERIOD:**

The average credit period for trade payables is 30 days (2018: 30 days). No interest is charged on the trade payables. The Group and Commission have financial risk management policies in place to ensure that all payables are paid within a reasonable time of the agreed credit terms as per the group policies.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

**19 FINANCIAL INSTRUMENTS**

**19.1 Capital risk management**

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

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

**Gearing ratio**

The Group's overall management strategy is to maintain the gearing ratio at a minimum. On an annual basis, in line with Botswana Meat Commission Act (Cap 74:04) (As amended) Sections 13 and 14, the Commission sets aside funds for the redemption of borrowings from accumulated surplus. Although the act does not provide the value of the monies to be set aside, management determines every year how much funds to set aside for this course. The provision made in the books for 2019 is P30 Million. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

	<u>Consolidated</u>		<u>Commission</u>	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
Debt	204 791	84 094	204 791	81 349
Cash and cash equivalents (note 14)	-49 490	-18 974	-20 094	-2 812
Net debt (i)	<b>155 301</b>	<b>65 120</b>	<b>184 697</b>	<b>78 537</b>
Reserves (ii)	<b>-56 442</b>	<b>35 745</b>	<b>-209 420</b>	<b>-105 234</b>
Gearing Ratio	<b>2,07</b>	<b>0,83</b>	<b>(8,28)</b>	<b>(3,05)</b>

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

**20 Categories of financial instruments**

The Commission financial assets are classified and measured at amortised costs

**Financial assets**

**Amortised cost**

Trade receivables	67 706	53 899	57 577	37 268
Amounts due from Group Companies	-	-	31 147	22 776
Debentures from Clifton	10	10	10	10
Cash and Cash equivalents	49 490	18 974	20 094	2 812
<b>Total</b>	<b>117 207</b>	<b>72 884</b>	<b>108 827</b>	<b>62 866</b>

**Financial liabilities**

**Amortised cost**

Trade payables	223 828	271 120	237 055	268 631
Borrowings	186 856	41 812	186 856	41 812
Amounts due to group companies	-	-	75 718	71 617
Bank Overdrafts	17 935	42 282	17 935	39 537
<b>Total</b>	<b>428 619</b>	<b>355 214</b>	<b>517 563</b>	<b>421 598</b>

**Finance costs**

Financial liabilities at amortised cost	<b>11 512</b>	<b>10 392</b>	<b>14 561</b>	<b>13 438</b>
---	---------------	---------------	---------------	---------------

**Finance income**

Loans and receivables	<b>297</b>	<b>338</b>	<b>297</b>	<b>298</b>
-----------------------	------------	------------	------------	------------

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

**21 Credit risk**

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

The following table summarises the maximum exposures to credit risk.

	<b>Consolidated</b>		<b>Commission</b>	
	<b>2019</b> <b>P'000</b>	<b>2018</b> <b>P'000</b>	<b>2019</b> <b>P'000</b>	<b>2018</b> <b>P'000</b>
Total credit risk comprises:				
Cash and Bank	49 490	18 974	20 094	2 812
Amounts due From Group Companies			31 147	22 776
Trade and other receivables	67 706	53 899	57 577	37 268
Total maximum exposure	<u>117 197</u>	<u>72 874</u>	<u>108 817</u>	<u>62 856</u>

The Total maximum exposure for the Group not taking into account credit insurances considered in the calculations of ECL is P 118,385 Million.

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

2019

<b>DAYS PAST DUE</b>	<b>CURRENT</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>Over 90 days</b>	<b>TOTAL</b>
Expected Credit Loss Rate	8%	21%	59%	79%	
Estimated Total Gross Carrying Amount at Default	46 874	2 331	4 523	41 646	95 374
Expected Credit Loss	3 562	489	2 663	32 859	39 593

2018

<b>DAYS PAST DUE</b>	<b>CURRENT</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>Over 90 days</b>	<b>TOTAL</b>
Expected Credit Loss Rate	7%	20%	59%	75%	
Estimated Total Gross Carrying Amount at Default	29 055	7 022	8 356	42 751	87 184
Expected Credit Loss	1 899	1 403	4 956	32 062	40 320

**22 Fair value hierarchy of financial instruments**

The table below analyses financial instruments carried at amortised costs, by valuation method at 31 December 2018. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).  
Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) ( Level 2).

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

<b>Group</b>	<b>Level 1</b> <b>P'000</b>	<b>Level 2</b> <b>P'000</b>	<b>Level 3</b> <b>P'000</b>	<b>Total</b> <b>P'000</b>
<b>At 31 December 2019</b>				
Borrowings Current	-	-191 571	-	-191 571
Borrowings Non-Current	-	-4 201	-	-4 201
	<u>-</u>	<u>-195 772</u>	<u>-</u>	<u>-195 772</u>
<b>At 31 December 2018</b>				
Borrowings Current	-	-191 571	-	-191 571
Borrowings Non-Current	-	-4 201	-	-4 201
	<u>-</u>	<u>-195 772</u>	<u>-</u>	<u>-195 772</u>
<b>Commission</b>				
<b>At 31 December 2019</b>				
Borrowings Current	-	-9 521	-	-9 521
Borrowings Non-Current	-	-34 960	-	-34 960
	<u>-</u>	<u>-44 481</u>	<u>-</u>	<u>-44 481</u>
<b>At 31 December 2018</b>				
Borrowings Current	-	-9 521	-	-135 942
Borrowings Non-Current	-	-34 960	-	-471 503
	<u>-</u>	<u>-44 481</u>	<u>-</u>	<u>-819 321</u>

**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 other loans is 6.25% and for the Government loan is 5%

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

	<b>Consolidated</b>		<b>Commission</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
<b>23 FINANCIAL INSTRUMENTS (CONTINUED)</b>				
<b>23 Foreign currency risk management</b>				

The Commission undertakes transactions denominated in foreign currencies. Foreign exchange rate exposures are managed through continuous dialogue with the bankers on the anticipated movement in the exchange rates. The carrying amounts of the Commission's foreign currency denominated assets and liabilities at the reporting date are as follows:

South African Rand trade payables	1 365	3 789	1 365	3 789
United States Dollar trade payables	-	-	-	-
Great Britain Pound trade payables	-	-	-	-
Great Britain Pound payables (related parties)	-	-	21 148	20 166
United States Dollar payables (related parties)	-	-	44 900	43 276
South African Rand payables (related parties)	-	-	-	-
	<u>1 365</u>	<u>3 789</u>	<u>67 412</u>	<u>67 231</u>
South African Rand trade receivables	23 328	23 328	23 328	23 328
Great Britain Pound trade receivables	-	-	-	-
United States Dollar trade receivables	-	-	-	-
Euro trade receivables	23 603	45 687	23 601	22 083
South African Rand receivables (related parties)	-	-	-	-
Great Britain Pound receivables (related parties)	-	-	13 579	3 356
	<u>46 931</u>	<u>69 015</u>	<u>60 508</u>	<u>48 767</u>

**Foreign currency sensitivity analysis**

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

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

	<b>Increase/decrease in exchange rate</b>	<b>Effect on profit before tax</b>	
		<b>Pula '000</b>	<b>Pula '000</b>
		<b>2019</b>	<b>2 018</b>
GBP	+5%	-	-
USD	+5%	-	-
ZAR	+5%	1 098	977
EURO	+5%	1 180	2 284
GBP	-5%	-	-
USD	-5%	-	-
ZAR	-5%	-1 098	-977
EURO	-5%	-1 180	-2 284

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

	2019 P'000	Consolidated	2018 P'000	Commission	
				2019 P'000	2018 P'000

**24 FINANCIAL INSTRUMENTS (CONTINUED)**

**24.1 Interest rate risk**

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

Profit or loss	<u>179</u>	<u>423</u>	<u>179</u>	<u>395</u>
----------------	------------	------------	------------	------------

**24.2 Liquidity risk management**

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

The expected undiscounted cash outflows related to borrowings are disclosed below both for group and commission. The rest of the Group's financial liabilities are short term and disclosed in note 15-16, they expected to be settled at their book value within the next financial year.

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

	2019			
	Within 1 year	2-5 years	Over 5 years	Total
<b>GROUP</b>				
Interest bearing loans and borrowings	191 571	4 201	-	195 772
Trade Facilities	637	-	-	637
Bank Overdraft	17 298	-	-	17 298
Trade Payables	255 180	-	-	255 180
Amounts Due to Group Companies	-	-	-	-

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

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

	Commission	
	2019 P'000	2018 P'000

**25 RELATED PARTY TRANSACTIONS AND BALANCES**

The related parties of the Commission are the Government of Botswana refer note 16.1, its subsidiaries as disclosed in Note 11 and the Commissioners and senior management. The following related party transactions were entered into:

**25.1 Services charges**

Management fees Payable - Botswana Meat Commission (UK) Holdings Limited (subsidiary)	2 471	2 646
Storage expenses Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	1 365	3 789
Management fees Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	8 471	5 671
Management fees Receivable - Mainline Carriers Botswana (Proprietary) Limited (subsidiary)	-240	-240
	<u>12 067</u>	<u>11 866</u>

**25.2 Interest paid**

Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	-2 945	-2 898
BMC UK Holdings Limited (Subsidiary)	-381	-312
	<u>-3 326</u>	<u>-3 210</u>

**25.3 Subventions received from Government**

	<u>183 050</u>	<u>179 000</u>
--	----------------	----------------

**25.4 Directors Fees**

	<u>111</u>	<u>161</u>
--	------------	------------

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

		<b>Commission</b>	
		<b>2019</b>	<b>2018</b>
		<b>P'000</b>	<b>P'000</b>
<b>RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)</b>			
25,5	<b>Amounts due from group companies</b>		
	BMC UK Holdings Limited (Subsidiary)	13 579	3 356
	Table Bay Cold Storage (Proprietary) Limited (subsidiary)	17 568	19 420
		<u>31 147</u>	<u>22 776</u>
25,6	<b>Amounts due to group companies</b>		
	BMC Meat Importers Limited, Guemsey (subsidiary)	15 577	14 702
	Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	44 900	43 276
	BMC UK Holdings Limited (subsidiary)	5 571	5 464
	Mainline Carriers (Proprietary) Limited (subsidiary)	9 510	8 014
	Lobatse Leathers (Proprietary) Limited (subsidiary)	161	161
		<u>75 718</u>	<u>71 617</u>
<b>BMC Meat Importers Limited, Allied Meat Insurance Company Limited and Table Bay Cold Storage facilities are Subsidiaries of Lobatse Leathers, hence Consolidated under Lobatse Leathers</b>			
25,7	<b>Related party balances included in receivables</b>		
	Table Bay Cold Storage (Proprietary) Limited (subsidiary)	6 382	205
		<u>6 382</u>	<u>205</u>
	<b>Transactions related to board members</b>		
	Producer payments - Cattle Slaughter (Commission and consolidated)	6 769	2 096
	<b>Remuneration of key management personnel</b>		
	Short term benefits (Commission and consolidated)	7 086	11 075

26	<b>NOTES TO THE STATEMENTS OF CASH FLOWS</b>	<b>Consolidated</b>		<b>Commission</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
<b>Cash used in operations</b>					
	Operating deficit	(93 880)	(70 239)	(89 922)	(76 924)
	Adjustments for:				
	Depreciation of property, plant and equipment including Impairment	50 602	22 875	42 964	17 751
	Fair value (loss)/gain on investment property	4 890	(426)	-	-
	Gain on disposal of property, plant and equipment	69	13	69	13
	Effects of changes in foreign exchange rates	17 301	(231)	-	-
		<u>(21 017)</u>	<u>(48 008)</u>	<u>(46 890)</u>	<u>(59 161)</u>
<b>Movements in working capital</b>					
	Decrease in biological assets	-	18 878	-	18 878
	(Increase)/decrease in inventories	(16 889)	2 367	(17 344)	2 206
	(Increase) in amounts due from group companies	-	-	(8 371)	(18 568)
	Decrease/(increase) in trade and other receivables	9 832	(5 991)	2 815	31 215
	(Decrease)/increase in trade and other payables	(39 798)	174 922	(24 445)	180 095
	Increase in amounts due to group companies	-	-	4 101	6 590
		<u>(46 854)</u>	<u>190 176</u>	<u>(43 244)</u>	<u>220 417</u>
	Cash (used in)/generated from operations	<u>(67 871)</u>	<u>142 168</u>	<u>(90 133)</u>	<u>161 256</u>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

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

Group	01-Jan-19	Loan Conversion	Cashflows	Loan Received	Accrued Unpaid Government Interest	31-Dec-19
	P'000	P'000	P'000	P'000		P'000
<b>Current Interest bearing loans</b>						
Botswana Government Loan of P 160 million	-	-	-	160 000	2 683	162 683
Term Loan - African Banking Corporation	9 112	-	-5 749	-	-	3 363
Standard Chartered Bank Botswana Limited Loan	32 700	-	-11 891	-	-	20 809
<b>Total Liabilities from Financing</b>	<b>41 812</b>	<b>-</b>	<b>-17 640</b>	<b>160 000</b>	<b>2 683</b>	<b>186 856</b>

**COMMISSION AND GROUP**

Group	01-Jan-18	Loan Conversion	Cashflows	Loan Received	Accrued Unpaid Government Interest	31-Dec-18
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Current Interest bearing loans</b>						
Botswana Government Loan of P 150,000	162	-162	-	-	-	-
Term Loan - African Banking Corporation	15 838	-	-6 726	-	-	9 112
Botswana Government loan P104 million in 2012	90 243	-90 243	-	-	-	-
Botswana Government loan P250 million in 2012	326 163	-326 163	-	-	-	-
Botswana Government P240 million interest free	175 040	-175 040	-	-	-	-
Standard Chartered Bank Botswana Limited Loan	-	-	-	32 700	-	32 700
<b>Total Liabilities from Financing</b>	<b>607 446</b>	<b>-591 608</b>	<b>-6 726</b>	<b>32 700</b>	<b>-</b>	<b>41 812</b>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2019**

28	CONTINGENT LIABILITIES AND ASSETS	Consolidated		Commission	
		2019 P'000	2018 P'000	2019 P'000	2018 P'000
28.1	<b>Contingent liabilities</b>				
1	Claims instituted by Makhoks Feedlot for damages for alleged breach of Commission's obligations.	8 983	8 983	8 983	8 983
2	Guarantees from Standard Chartered Bank Botswana Limited	14 160	14 160	14 160	14 160
3	In favour of Standard Chartered Bank London Limit	37 060	37 060	37 060	37 060
4	Guarantee in favour of Transnet	752	752	-	-
5	Customs and excise guarantee in South Africa	362	362	-	-
86	Guarantee to South African Revenue Services	2 175	2 175	-	-
		<b>63 492</b>	<b>63 492</b>	<b>60 203</b>	<b>60 203</b>

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

**Guarantees**

These are financial guarantees, which are guarantees on the performance of an obligation

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

28.1	Future capital expenditure	Consolidated		Commission	
	Authorised but not yet contracted for	<b>31 333</b>	<b>28 818</b>	<b>31 333</b>	<b>28 818</b>

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

**28.2 Operating lease commitments (payments)**

Future minimum lease payments:

Not later than one year	-	2 110	-	-
Between one and five years	-	3 281	-	-
	-	<b>5 391</b>	-	-

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

**BOTSWANA MEAT COMMISSION  
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2019**

**29. EVENTS AFTER THE REPORTING PERIOD**

**a) Adjustable Events:**

There were no adjustable events that happened after year end.

b) Subsequent to the year end, the following events happened which are non-adjustable:

i) The Group received a P27 million Government Subvention which was used to clear the term Loans with Standard Chartered Bank of Botswana and BancABC of Botswana.

ii) Feedlotters who had taken BMC to their lawyers by for being owed a total of P98 million were paid P88 million. However, they have not withdrawn their case.

**iii) Initial assessment of the impact of Covid-19 is as follows:**

The Covid-19 (Coronavirus) outbreak occurred at a time close to the Groups reporting date and the condition has continued to evolve throughout the timeline crossing 31 December 2019. In late 2019, cluster class of cases displaying the symptoms of a "pneumonia of unknown cause" were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health regulations Emergency committee of the WHO declared the outbreak a "public Health Emergency of International Concern". Since then more cases have been diagnosed, also in other countries. Measures were taken, and policies imposed by China and other countries. Gradually more information became available.

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

Management has assessed whether the event is adjusting or non – adjusting and has concluded that the cause of the shut in the series of events that led to the shut down is not the outbreak itself, but rather measures taken by different governments. As a result, the event is considered a non-adjusting event and cannot be reflected in the Groups assets and liabilities as at 31 December 2019.

Albeit the fact that management has concluded that the event is a non-adjusting event, the impact of this non adjusting event is material. The Group disclosed the nature of the event and an estimate of its financial effects. Botswana Meat Commission has been directly affected by the virus and the outbreak has affected its operations through the lockdowns that have been affected by the Government to protect citizens from further spreading of disease.

In the early stages of the outbreak, the high level of uncertainties due to the unpredictable outcome of the disease may make it difficult to estimate the financial assets of the outbreak. The significant estimates and judgements applied, relating to the calculation of Expected Credit losses, were based on forward looking factors referencing a range of forecast economic conditions as at that date. The outbreak of Covid -19 has resulted in disruption to business activities globally, since mid- January 2020 with a material impact being noted from March 2020. The advent of Covid-19 resulted in the Commission revising its Budget for 2020 downwards, due to low throughput and sales during the first quarter of 2020 downwards, due to low throughput and sales during the first quarter of 2020, and is expected to continue like that for the rest of 2020 and part 2021.

**BOTSWANA MEAT COMMISSION  
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2019**

**30. GOING CONCERN**

The Group and the Commission reported a total deficit for the year of P92,2 million (2018: Deficit of P76,8 million) and P104,2 million (2018: Deficit P90,0 million), respectively. The accumulated losses of the Group and Commission amount to P1,285 million (2018: P1,148 million) and P1,311 million (2018: P1,177 million), respectively. These conditions show an improvement for the Commission compared to previous years and gives confidence that the Commission and Group can turn around its fortunes.

The ability of the Group and Commission to continue as a going concern is dependent on a number of factors. The most significant of these is the commitment by the Government of the Republic of Botswana to continue its financial support to the Commission. The Commission's going concern is also dependent on obtaining trade facilities and commercial loans from financial institutions. The Commission has approached several banks for funding and still holds an invoice discounting facility with Standard Chartered Bank Limited.

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

Some of the Highlights of the strategy are:

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

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

The Commission reported a deficit of P104,2 million for 2019 financial year (2018: a deficit of P90,0 million) and has accumulated losses of P1,311 million (2018: P1,177 million). Section 17 of the Botswana Meat Commission Act stipulates that it is the duty of the Commission so to exercise its functions and conduct its business as to ensure, taking one year with another, that its revenues are sufficient to enable the Commission to meet the outgoings of the Commission properly chargeable to the revenue account in terms of Section 14 of the Act. The Commission has therefore not complied with the Act in this regard.