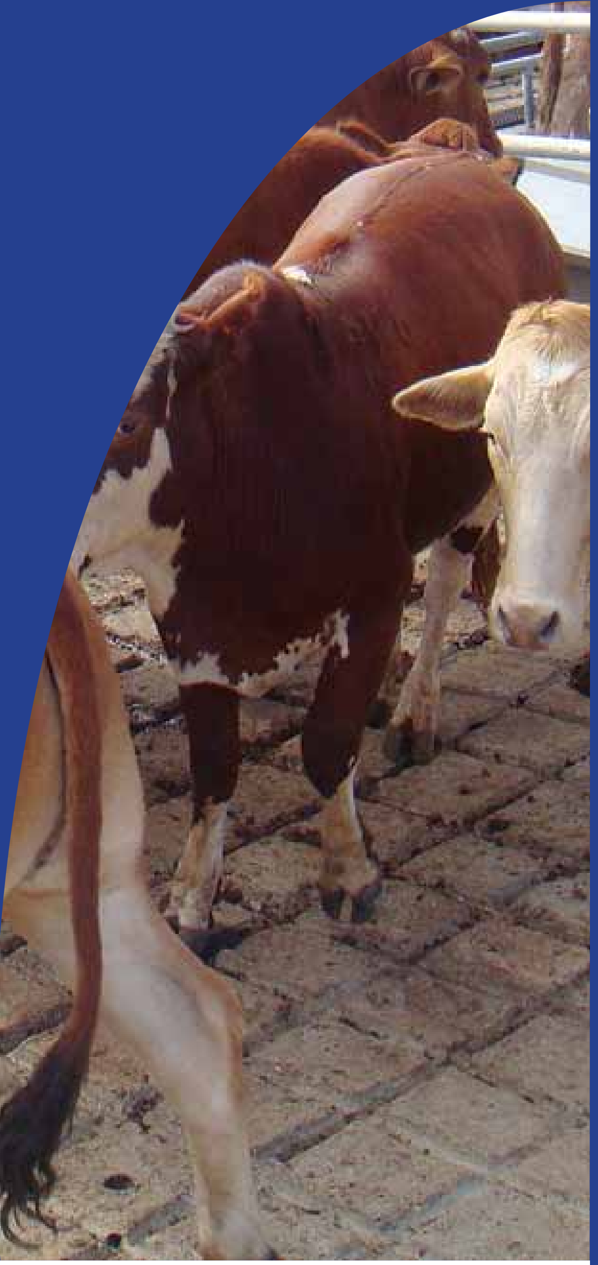


Botswana Meat Commission Annual Report

Botswana Meat Commission
Head Office
Private Bag 4, Lobatse, Botswana
Tel: (267) 5330321/5331000
Fax: (267) 5332228

Francistown Branch
Private Bag 119, Francistown, Botswana
Tel: (267) 2414499
Fax: (267) 2414427

Table Bay Cold Storage
Cape Town
Table Bay Cold Storage
6 Auckland Street
Paarden Eiland
Cape Town
Tel: 27 21 5088440
Fax: 27 21 5115957

BMC Importer & Exporters
Johannesburg
P O Box 86110
City Deep 2049, Gauteng
South Africa
Unit 9, Heritage Park
Lower Germiston Road
Heriotdale, Johannesburg
Tel: 27 (11) 6262784
Fax: 27 (11) 6263135

BMC (UK) Holdings Ltd
Stuart House, Queensgate
Britannia Road
Waltham Cross
Hertfordshire, England
EN8 7TF
Tel +44(0)1992 807950
Fax +44(0)1992 807951

Allied Meat Importers GmbH
Kühlhaus CT II
Senator Borttscheller Str. 8
Bremerhaven
Germany
Tel +49(0)471 944250
Fax: +49(0)4719442510

BMC Meat Importers Ltd
P O Box 161
Dixcart House,
Sir William Place,
St Peter Port,
Guernsey
GY1 4EZ, Channel Islands
Tel +44(0)1481 723996
Fax +44(0)1481 727417

Allied Meat Insurance Co Ltd
P O Box 1051 GT
Georgetown
Grand Cayman
British West Indies
Tel +001(0)345 9497988
Fax +001(0) 345 9497849

Flame Power Multimedia

Annual Report 08
Botswana Meat Commission


ECCO
ECCO
ECCO
ECCO
ECCO
ECCO
BOTSWANA MEAT COMMISSION
ECCO

contents

vision & mission

VISION

To be one of the best producers of beef and related products in the world and to have a committed workforce that effectively utilises the Commission's resources by adopting efficient methods of slaughter, processing and marketing by December 2011.

MISSION

To procure cattle and manufacture beef products for marketing nationally and internationally in order to maximise financial returns to Botswana cattle producers.

PRIMARY STRATEGIC OBJECTIVE FOR 2009 TO 2011:

To undertake a comprehensive restructuring of the BMC operations that

1. delivers a significantly reduced the cost base
2. improves throughput
3. improves processing efficiencies
4. achieves best prices for BMC products at least cost
5. ensures the long term sustainability of BMC





corporate governance

Internal Control and Internal Audit

The Commissioners are responsible for ensuring that the group maintains adequate accounting records, internal controls and systems designed to provide reasonable assurance on the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets.

The effectiveness of these controls and systems is monitored in a number of ways depending upon the particular circumstances, including the use of an internal audit function. The Internal Audit department independently reviews and appraises the adequacy and effectiveness of internal controls and the systems which support them. The department is adequately staffed by both qualified accountants and junior staff trained in accounting and audit functions.

Good Corporate Governance ensures that an enterprise is responsibly managed and supervised with an orientation towards value creation. In BMC Corporate Governance serves, on a lasting basis, the goal of strengthening and consolidating the trust placed in the enterprise by the Botswana Government as the investor, business partners, customers, employees, farmers and the general public.

Corporate Governance in the BMC group is an all- embracing issue affecting all areas of the enterprise. Transparent reporting and a policy of corporate governance aimed at the interests of all stakeholders are well established traditions within the Group. Co- operation between the Board of Commissioners and Executive Management in an atmosphere of commonly shared trust and responsibility has long been the basis of managing the affairs of the Commission. The underlying corporate culture at BMC is founded upon the principles of transparency, trust, accountability and integrity.

Directorate

Botswana Meat Commission has a unitary board structure compromising non executive members. The chairman of the board is a non- executive member. The board meets regularly to review operations and they monitor the performance of executive management.

The Commissioners are experts from various fields of business and include investment managers, finance executives, commercial farmers, business executives and administrators. This ensures that debate on matters of strategy, policy, progress and performance is robust, informed and constructive.

The board endorses the principles contained in the Cadbury, King 1 and King 2 reports on Corporate Governance. The Board is committed to continued development on good governance matters.

Competence

Staff skills are maintained through a formal recruitment process and on and off the job training. Limited short- term and long- term training courses were undertaken during the year.

Going Concern

The group annual financial statements have been prepared on a going concern basis since, having made relevant enquiries: the Commissioners believe the group has adequate resources to continue in operational existence for the foreseeable future, based on forecasts and available cash resources.

Executive Management

Executive Management compromises of the Chief Executive Officer, General Managers: Finance, Marketing, Livestock Procurement, Operations, and Fransictown: Human Resources Manager, Quality Manager and the Corporate Manager who also acts as the Company Secretary. The Chief Executive Officer and Senior Management meet regularly to consider strategic and operational matters.

Audit Committee

The Commission has an Audit Committee governed by a well documented charter. The composition of the committee includes four Commissioners, one of whom is the Chairperson and, Executive Management report at meetings of the Committee which are also attended by Internal and External Auditors.

The Board Secretary is the secretary to the Committee. The Committee meets at least four times during the year to review important accounting and audit issues, including budgeting, forecasting, capital expenditure, annual financial statements and quarterly management accounts. The Committee also reviews the performance of both the External and Internal function on an annual basis.

Board Tender Committee

The Committee compromises of four Commissioners, one of whom is the Chairperson, and has responsibility for procurements in excess of P1 million. The Committee meets when relevant procurement decisions are required.

corporate governance *continued

Remuneration and Human Resources Committee

The main function of the Committee is to review the remuneration strategies of BMC and formulate remuneration policy for Executive Management. It compromises of three Commissioners, one of whom is the Chairperson.

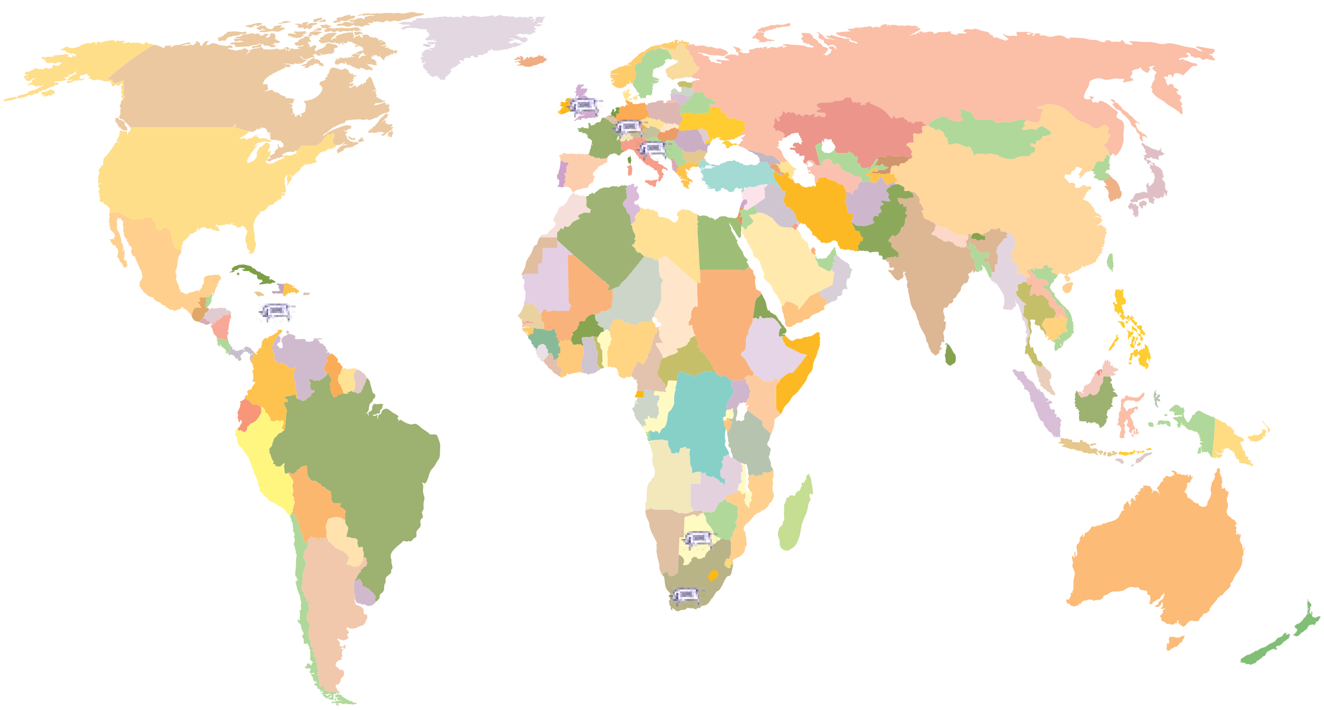
Cattle Procurement Committee

The mandate of the Livestock Procurement Committee is to come up with procurement strategies which are essential to increasing BMC throughput, and once approved by the Board, oversee and coordinate their implementation. It also coordinates the formulation and implementation of improvement initiatives in the area of livestock Producers' access to BMC, animal welfare and prices that BMC pays for livestock.
It compromises of four Commissioners, one of whom is the Chairperson.

Financial Statements

The responsibility for the preparation of the annual group financial statements and all other information presented therein is that of the Commissioners. These have been prepared in accordance with generally accepted accounting practices based on International Financial Reporting Standards which have been consistently applied and which are supported by reasonable judgments and estimates and in the manner required by the BMC Act.
These statements are subjected to examination by external auditors in conformity with international standards on auditing. The External Auditors are appointed on a five year term, subject to annual performance reviews. The Auditors attend all meetings of the Audit Committee and have unrestrictive access to the Commissioners.

GEOGRAPHICAL SPREAD



Botswana
- Lobatse Abattoir, Cannery and Head Office
- Francistown Abattoir
- Maun Abattoir
- Mainline Carriers

South Africa
- Cape Town - Cold Storage and Shipping Documentation
- Johannesburg - Sales Office

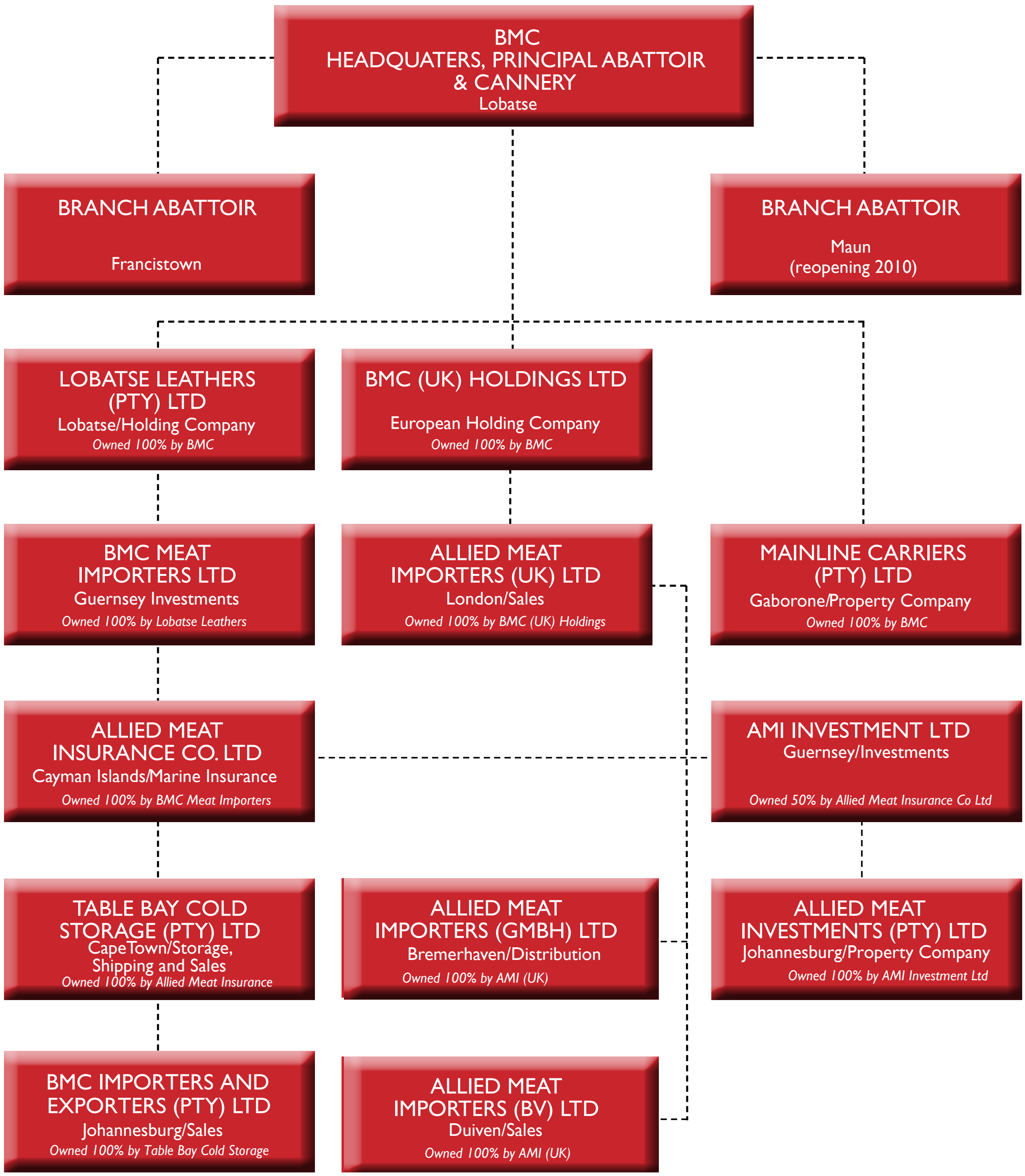
United Kingdom
- BMC(UK)
- Allied Meat Importers (UK) Ltd

Holland
- Allied Meat Importers (BV) Ltd

Germany
- Allied Meat Importers (GMBH) Ltd

Cayman Islands
- Allied Meat Insurance Co. Ltd

group structure



board of commissioners

Front Row Sitting (L - R) C. Gabanakemo, J.J. van der Merwe, M. Modise **(Chairperson)**, H. Kapeko, M.T.L Maine
Back Row Standing (L - R) L. Maika, R.W. Munger, Dr M.C Chimbombi, D. Barnes, Dr N. H Fidzani




senior management


1


2


3


4


5


6


7


8


9

1 Dr M.V Raborokgwe
Chief Executive Officer

2 V.K Molatedi
General Manager (Finance)

3 S. Madisa
Quality Manager

4 M. Kgosiemang
General Manager (Operations-Acting)

5 C. Marshall
General Manager
(Livestock Procurement)

6 Dr S Ghanie
General Manager (Francistown)

7 T. Ntobedzi
Human Resources Manager

8 S.K Molapisi
General Manager (Marketing)

9 R. Sebako
Corporate Manager/Company Secretary

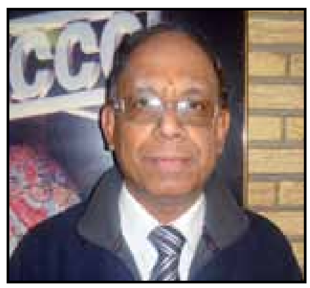
heads of department

1

2

3

4



5

6

7

8

9

10

11

12

1 G. Maika
Production (Acting)

2 L. Wright
Accounts (Acting)

3 E. Selepile
Purchasing and Supplies

4 J. Ranko
Cannery

5 N. Chandramouli
Accounts

6 B. Marobela
Livestock Procurement-Administration (Acting)

7 E. Kotokwe
Livestock Procurement-Extension (Acting)

8 P. Dintwe
Deputy Tannery Manager

9 D. Ndlovu
Internal Audit

10 T. Nthaga
Marketing

11 W. Mupita
Engineering

12 B. Mauco
Information Services

grm consultants

(L - R) M. Clements **(Finance/Corporate),** D. Lough **(Project Manager based in Pretoria),** T. Fantan **(Human Resources),** J. Marlow **(Team Leader),** D. Anderson **(Operations)**

chairperson's statement

M Modise
Chairperson

Honourable C. De Graaf, MP
Minister of Agriculture
Gaborone

Honourable Minister,

I have pleasure in presenting to you the Annual Report and Financial Statements of the Botswana Meat Commission for the financial year ended 31st December 2008.

The year 2008 was an excellent year for the Commission and the Group as the final result after all the appropriations and taxes was a surplus of P25.3m and P42.8m respectively. This is despite the fact that this was the year when BMC had the lowest throughput of 113,288 cattle in the past 10 years.

The key contributors to this excellent result were the good prices that were realized in the EU with chilled prices increasing by an average of 35% during 2008. Another factor was that Francistown kill for 2008 was mostly for EU markets as compared to the mostly Non-EU kill in 2007.

BMC is still operating a high cost structure with low plant utilization. The plant has capacity to slaughter 230,000 cattle per annum but only achieved 49% capacity utilization. This level of utilization is still a concern.

With the assistance of our technical partner GRM, measures have been put in place through a 3 year strategic plan to achieve optimal utilization of the plant and achieve efficiencies by the year 2011.

One of the great achievements is that since the introduction of Export Parity Pricing as a method of paying farmers in 2007, BMC has been able to maintain the payment of good prices. In 2008 average payment per kg was P13.83 compared to P12.39 in 2007. I sincerely hope that these good prices will encourage farmers to bring cattle to the BMC, as it is the only way the Commission can go from strength to strength and benefit them even more in the long run.

I want to use this opportunity to extend my sincere gratitude to the Commissioners who retired during 2008 - Mr B Gubago, Mr M Chakalisa, Dr L Gakale and Dr M Fanikiso. The excellent result that we got in 2008 would not have been possible without their dedication, expertise and devotion to the Commission.

At the same time I wish to welcome to the BMC, Commissioners who were appointed in the past year to replace them in Dr M Chimbombi and Mr. Dudley Barnes. I look forward to working with them.

I also want to thank my fellow Commissioners, the BMC Group Management and their staff for their commitment and invaluable contribution.

Finally, I want to thank you Honourable Minister for the continued support that we get from you and your Ministry.

Mmapula Modise
Chairperson
BMC Board of Commissioners

chief executive officer's review

M V Raborokgwe
Chief Executive Officer

INTRODUCTION

The 2008 financial year produced the best financial performance to date for BMC when the good prices paid to producers are taken into account. This following on the previous three years of profit making by the BMC would indicate that the Commission has indeed turned the corner from a loss making to a profit making operation.

Slaughter numbers however collapsed in 2008 with only 113,288 cattle slaughtered compared to the over 171,229 kill of 2007. The average CDM was however 202kg compared to the 198kg achieved in 2007.

When kill is low, we have to make up with improved weights in order to still end up with decent tonnages of meat to sell. An average CDM of 202kg, even though 4kg better than the previous year, is a far cry from what should be achieved. Emphasis on feed finishing cattle through the various initiatives BMC has on offer should increase the CDM to the targeted 215kg by the end of our Strategic Plan period. This figure though is still low by any standard.

Had we had numbers similar to the 2007 figure, the profits for 2008 would have been massive. Prices in the EU, our main markets had reached unprecedented levels due to shortage of beef. The shortage was because Brazil had been barred from exporting to Europe due to traceability short-comings as well as decreasing production in Europe. The stoppage of exports by the EU from a major exporter like Brazil due to traceability issues should be a wake-up call for us as a country. Our LITS was tested and found wanting by the EU over two consecutive EU inspections. Other than EU concerns, it is also the major obstacle farmers face in trying to sell to BMC and greatly affects throughput negatively.

The programme of cost controls without compromising the quality of our products and services continues, as excellence has no finish line. The cost-cutting has contributed to the excellent results reported in 2008.

Subsidiary companies continue to operate efficiently and profitably, thus contributing significantly to the Commission by way of dividends and management fees. They are to be rationalized and restructured to ensure that they continue to add value and get Botswana beef best prices at least cost.

This was the first full year that BMC(UK) had operated without the Meatco contract. The fact that they were able to make a profit selling only Botswana beef in the EU and without increasing the commission is testament to their efficiency. As further testament to their efficiency and good standing in the EU, they have been approached by slaughter and de-boning companies from Uruguay, Italy, Spain as well as Northern England for BMC(UK) to market and sell their products in the UK and/or EU. They have accepted these unsolicited offers and are currently doing business with these companies to the benefit of BMC and Botswana cattle farmers. They are to be commended.

One major sticking point is our in-ability to attract and retain staff, especially in the Finance/Accounts, Engineering and IT fields. These cadres are in high demand and the fact that they have to either relocate to Lobatse or commute from Gaborone where they prefer to live as it has social facilities like schools and hospitals are an extra dis-incentive for them to work for BMC. Our packages are not competitive and we had hoped our Partner GRM will help us on this major issue.




chief executive officer's review *continued

Other issues of concern are the delay in finalizing the review of the BMC Act. The process has been on-going for too long and we are anxious to have it finalized. Other than ushering competition in the export market, which competition we welcome as it will bring dividends to farmers, the review will also lead to a change in BMC taxation. The Commission continues to be unfairly taxed on turnover rather than net profit.

The Commission and the Group as a whole achieved an operating surplus before tax of P84.1m and P81.9m respectively. This was on a turn-over of P687.1m at Commission level. After a turnover tax of P27.7m, appropriations to loans of P30.8m and to the development reserve of P227,000, a surplus of P25.3m at Commission level was realized. All the surplus was transferred to the Price Stabilization Reserve so as to continue with the good cattle prices currently on offer. The Stabilization Reserve now stands at a very healthy P66.3m.

The first of the repayment of the P240m Government loan at P48m per year for the next five years after a three year grace period started this year.

chief executive officer's review *continued

THROUGHPUTS AND GRADES

The total throughput for the year 2008 was 113,288 head of cattle, compared to 171,299 in 2007.This was a year on year decrease of 34% and 24.5% below the forecast of 150,000.
Lobatse slaughtered 76,602 against a forecast of 115,000(-33%) and Francistown slaughtered 36,686 against a forecast of 35,000 (+5%)
The biggest factors affecting the kill were firstly the lack of feedlot participation in the first half of the year due to excessive feed prices. This was partially addressed with the introduction of a P2.00 bonus for EU eligible animals weghing at least 200kg CDM in July 2008 which gave the feeders a margin and showed a quick positive response in cattle numbers on feed.

The second negative factor was the loss of Ghanzi to FMD in October which left the many scheduled cattle in quarantine in Zone 12.
Average CDM for the year was 207kg in Lobatse against the forecast of 205kg and 195kg in Francistown which was forecast. The good CDM in Lobatse is directly attributed to the impact of the of the P2.00 bonus which incentivized the delivery of heavier EU compliant carcasses.
When looking at grade analysis the most significant change has been in the further drop of S2 cattle in Lobatse from 18.85% of kill in 2007 to just over 13% in 2008.The percentage among the young cattle has remained static with a slight improvement in Francistown. However, it is evident that the production system in the Francistown EU areas has no feedlots as feeders are still unwilling to fill feedlots, and subsequently the change to weaner/feedlot production and the increase in the SP grade in the North is much slower and less significant.
Likewise when looking at the age analysis one can see significant changes in the Lobatse EU as the kill is getting younger(over 67% of kill under 3 years), but again little change in the Francistown (46% of kill under 3 years), again indicating the hesitance of feeders to change the production system from the traditional oxen production to weaner production.

There has been good participation in BMC Schemes and it is hoped that with further positive changes to these, the contribution will increase in 2008.
The class analysis indicates another significant decrease in the number of heifers slaughtered even with the introduction of the P2.00 bonus payment. This is a hopeful sign that producers are holding heifers back for national cow herd expansion, which would indicate a buy in to the weaner concept. The drop in the cows slaughtered would indicate local competition turning towards the cheaper, lower priced cattle, leaving the high priced young prime grade market to the BMC for export purposes.
The threat of FMD to our industry is increasing. Over the last 2 years the BMC has lost significant areas to the disease and the latest loss of Zone 12 is a significant blow for the 2009 season and beyond.

chief executive officer's review *continued

LIVESTOCK INITIATIVES INTRODUCED IN 2008

From a livestock procurement point of view, the BMC has had a year with a number of successes with the focus being on correct pricing and service delivery to our producers.

Significant advances have been made on price with firstly the introduction of the P2.00 bonus payment in July 2008. This incentivized the production and planned delivery of the right type of cattle and contributed to the increased CDM.

Then in December 2008, three significant developments placed BMC at the top of international prices for Prime grade cattle when it was decided to increase all prices by P2.00 per kilo. This was followed by the linking of the 0 and 2 tooth prices in effect allowing feeders the ability to feed to higher CDMs without the worry of cattle cutting teeth and being downgraded to a lower price. Again this should give significant CDM increases in 2009.

It was also decided to move the export parity price (EPP) benchmark for lower grades from 250kg back to 200kg in order to become more competitive with the local market price for older cattle.

The Board has also given permission to start the development of Direct Cattle Purchase Scheme that will involve the setting up of contract feeders and contract growers and will source cattle on a liveweight basis.

These increases and initiatives will put the BMC in a strong position in 2009 to attract the necessary cattle to increase our market share and deliver increased volumes of quality beef to the EU and our other trading areas.

BMC has been proactive in regard to Producer Satisfaction and has developed several new services in 2008.

The SMS pricing which is sent to farmers by cellphone weekly is proving a popular tool with all producers and we would urge that all producers take advantage of this free information service.

The Producer Handbook 2008/9 has been a great innovation and the BMC has printed and distributed some 10,000 copies to producers, DVS Officers and other interested parties and it has been widely accepted as the most significant cattle publication within Botswana for some years. We intend to make this an annual production with Producer Handbook 2009/10 planned for release in October 2009.

The BMC now has 7 functioning District Offices which will now be used to implement the DCP Program. This gives BMC a position in the field and will enable us to compete for all cattle in the country ensuring the producer of the best possible prices.

Producer Prices

The average producer price paid for 100kg of CDM was P1,351 compared to P1,213 in 2007. This is because of the P2.00 bonus premium payment that the Board extended to EU eligible cattle during the last half of the year.

Details of producer prices for the year as compared with 2007 are set below:

Producer Prices paid per 100kgs

	2008	2007	% Change
Lobatse	1,438	1,287	12%
Francistown	1,263	1,139	11%
Average	1,351	1,213	11%

CATTLE DELIVERED BY BOTSWANA PRODUCERS - 2008

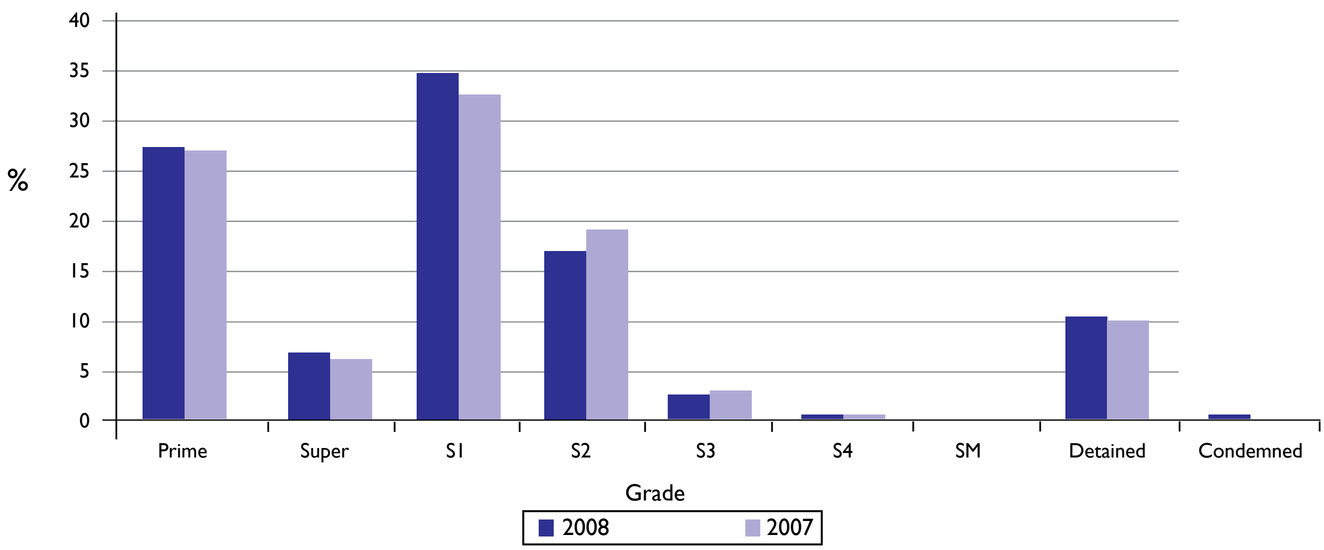
Number of Cattle Delivered by the Producer	Number of Producers	Total Cattle Delivered	Percent of Cattle Delivered
>200	70	53,469	47%
100-199	55	7,496	7%
50-99	123	8,547	8%
20-49	468	13,847	12%
10-19	1022	13,415	12%
1-9	5024	16,554	15%
Grand Total	**6762**	**113,328**	**100%**

chief executive officer's review *continued

GRADE ANALYSIS OF THE CATTLE SLAUGHTERED

Grade	Lobatse	F/town	Total	2008 %age	All	2007 %age
Prime	27,472	3,555	31,027	27	46,815	27
Super	4,796	3,216	8,012	7	10,799	6
S1	23,167	16,212	39,379	35	56,142	33
S2	10,585	8,344	18,929	17	33,190	19
S3	1,681	1,379	3,060	3	5,296	3
S4	269	319	588	1	1,112	1
SM	42	112	154	0	261	0
Detained	8,387	3,523	11,910	11	17,008	10
Condemned	203	66	269	0	606	0
TOTALS	76,602	36,726	113,328	100	171,229	100

GRADE ANALYSIS OF CATTLE SLAUGHTERED

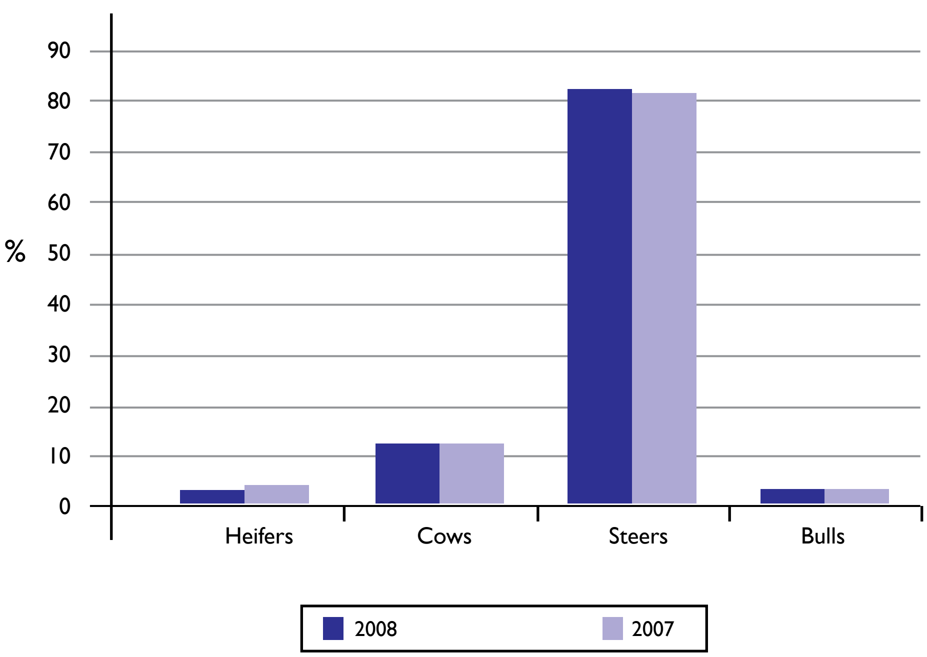


chief executive officer's review *continued

CATTLE CLASS ANALYSIS

	YEAR 2008				YEAR 2007	
	Lobatse	F/town	Total	%age	All	%age
Class						
Heifers	2375	431	2,806	2	6,048	4
Cows	8282	6172	14,454	13	21,955	13
Steers	64640	28740	93,380	82	139,384	81
Bulls	1305	1383	2,688	2	3,842	2
TOTALS	76,602	36,726	113,328	100	171,229	100

CATTLE CLASS ANALYSIS

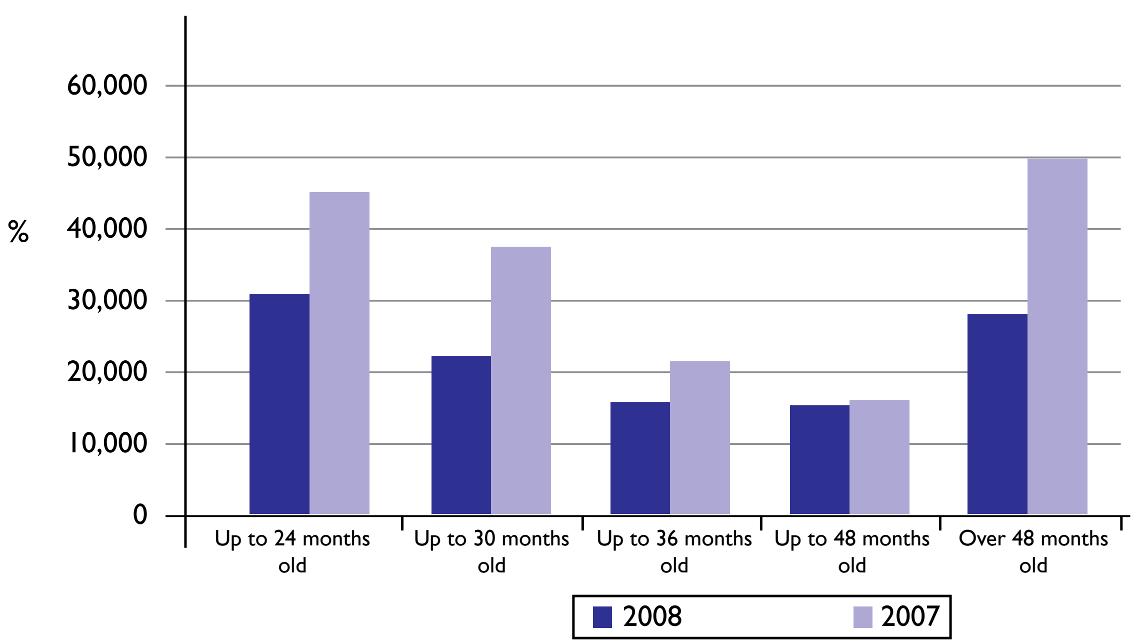


chief executive officer's review *continued

AGE ANALYSIS OF CATTLE SLAUGHTERED

		2008				2007	
Dentition	Indicative Cattle Age	Lobatse	Francistown	Total	Percent	Total	Percent
0	Up to 24 months old	26,832	4,119	30,951	27%	45,277	26%
2	Up to 30 months old	16,439	5,925	22,364	20%	37,484	22%
4	Up to 36 months old	9,570	6,816	16,386	14%	21,239	12%
6	Up to 48 months old	8,278	7,502	15,780	14%	17,043	10%
8	Over 48 months old	15,484	12,365	27,849	25%	50,186	29%
TOTALS		**76,602**	**36,726**	**113,328**	**100%**	**171,229**	**100%**

AGE ANALYSIS OF CATTLE SLAUGHTERED



chief executive officer's review *continued

PRODUCTION

The total boneless production for all abattoirs during the year was 16,580 tons, which was lower than the 2007 production volume of 20,479 tons which came from a higher throughput.

Low throughput of cattle, particularly from FMD-vaccinated catchment zones, resulted in lower cannery production of 1,788 tons, when compared with the 2007 production of 2,379 tons.
The largest proportion of this production (92%) went to supply the Government's primary school feeding programme, while the rest was produced for export.

By products volumes produced were 3,261 tons and 1,629 tons at Lobatse and Francistown establishments respectively.

A number of projects were conceived through the use of cross-functional teams. These included production of a beef specification manual, installation of variable speed fans in the carcass chillers to reduce shrink loss, and improvements to production facilities layout.

Such innovative interventions will not only encourage a learning environment, but will increase efficiency, enhance product quality and optimize responsiveness to customers.
Plant availability during the year stayed high at 85% of total production time. We are continually seeking ways to further improve it through increasing equipment availability, and where possible, switching to upgraded or new production technologies.
On-going efficiency improvements at the rendering plants will not only improve rendering production volumes, but will also enhance our corporate image. The turn-key primary effluent treatment products at both plants will recover from plant effluent useful solid and fat material for rendering production.

Production facilities and process layouts are being continually studied to accommodate new and future customer product requirements. This is coupled with a gradual increase in the range of auto-controls by taking responsibility over activities that were previously conducted by the regulatory services.

PRODUCTION QUANTITIES FOR ALL ABATTOIRS

		2008	2007
Boneless Beef	tons	16,580	20,479
Offals	tons	1,859	2,405
By-Products	tons	4,890	7,716
Corned Beef	tons	208	17
Corned Meat	tons	420	550
Canned Tongue	tons	59	76
Stewed Steak with Gravy	tons	1,027	1,566
Pet Food	tons	264	267
Hides (green unfleshed)	tons	3,873	3,337





chief executive officer's review *continued

QUALITY ASSURANCE

Quality control and laboratory functions conducts inspection of incoming raw materials e.g. cleaning chemicals, ingredients and packaging materials; in process and final product inspection to establish compliance with national and international regulatory requirements. The laboratory participates in peer review programmes like the Botswana Bureau of Standards' (BOBS) National Quality Control Sample Exchange System for both chemistry and microbiology disciplines.

Quality and Food Safety Policy

We at Botswana Meat Commission are committed to maintain the requirements of ISO 9001:2008 Standard in order to manufacture products of consistent quality, which meet statutory, regulatory and customer requirements.

To ensure food safety, we have implemented and will continue to maintain a Hazard Analysis Critical Control Point (HACCP) system that conforms to the requirements of South African National Standard (SANS) 10330:2007 and British Retail Consortium (BRC) Global Standard for Food Safety (Issue 5, 2008).

We have established measurable quality objectives that are consistent with our mission and strategic goals.
We are committed to continually review our quality and food safety management systems to improve our processes, products and resources.

We are committed to continuous awareness programme to communicate the importance of quality and food safety management systems to all employees.

Quality and Food Safety Objectives

- Customer satisfaction
- Continual improvement of the Quality and Food Safety Management Systems
- Compliance with Statutory, Regulatory and Customer requirements.
- Continual development of our human resources

These objectives are a measure through which the strategic initiatives in the strategic plan are implemented and reviewed periodically by management.

Status of Compliance with Standards

Botswana Meat Commission operates an integrated quality and

chief executive officer's review *continued

food safety management system that complies with ISO 9001:2000; SANS 10330:2007 and British Retail Consortium (BRC) Global Food Standard (Issue 4, 2005).

The abattoirs undergo annual and bi-annual assessments by South African Bureau of Standards (SABS) to establish compliance with SANS 10330:2007 Hazard Analysis Critical Control Point (HACCP) and ISO 9001:2000 quality management systems' standards respectively. Food safety assessment in line with BRC Global Food Standard (Issue 4, 2005) is also evaluated periodically based on compliance level by SAI Global/European Food Safety Inspection Services (SAI/GLOBAL EFSIS).
Botswana Meat Commission maintained its compliance status during the year.

Quality and food safety management systems have been upgraded in preparation for evaluation against the new standards i.e. ISO 9001:2008 and BRC Global Standard for Food Safety (Issue 5, 2008) standards which came into effect in the second half of 2008.



chief executive officer's review *continued

MARKETING AND SALES

The BMC throughput in 2008 was significantly reduced, 23% lower, when compared to that of 2007. Naturally, this has resulted in lesser meat available to sell hence it is not surprising that the turnover for 2008 is lower than that of 2007. Furthermore, the outbreak of foot and mouth disease in October 2008 in Gantsi had a negative impact on supply to the international market as, in addition to production stoppage, a significant amount of meat that was produced for the export market had to be turned back and used in the cannery.

The good news however has been the appreciation on the price of beef in the European Union influenced by shortage of supply as Brazilian imports into the EU were significantly reduced following the country's inability to demonstrate good traceability of cattle from most farms. Total turnover for the period was P687.1 million and is 8.6% lower than that of the same period of the previous year when turnover was P749.9 million.

The highest contribution to turnover was from the United Kingdom with P204.7 million which is 7% higher than that of the same period of the previous year when turnover was P190.4 million.

Botswana was the second largest contributor with P154.7 million which is only 1.7% higher than the previous year's performance. Revenue generated from the South African market was the third largest contribution of P81.8 million which is a significant decline when compared to that of the previous year when its contribution was P187.6 million. It should be noted that, in the past year, all production from the Francistown abattoir was channeled to the South African market as EU eligibility status had not yet been granted. The fourth and fifth largest contributor to turnover has been Norway and Greece with P47.7 million and P47.3 million respectively, both of which are up on the previous year's performance when they contributed P30.1 million and P24.1 million respectively. The rest of the revenue was from other markets.

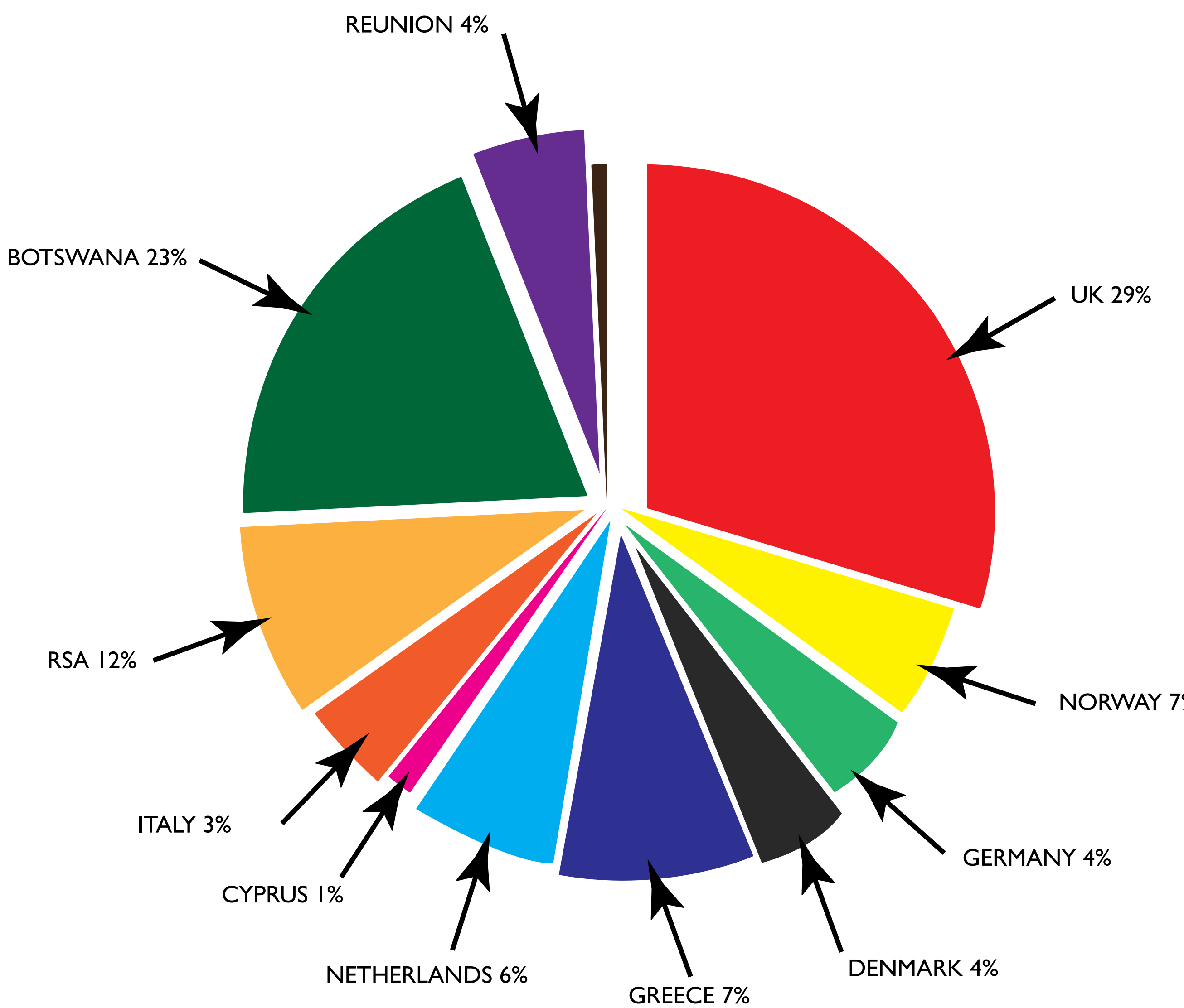
As regards contribution by product line, the highest contributor to turnover at 48% was chilled vacuum packed boneless beef with P326.3 million from the sale of 6,372 tons.

This contribution is better than that of the previous year's even though there is an 18% reduction on the tonnage sold. This improvement has been due to appreciation of the average sales price from P39.46 per kilogram to P51.21 per kilogram. The frozen beef has contributed P256.3 million or 37% to turnover from the sale of 10,772 tons compared to P327.3 million from the sale of 18,675 tons in the previous year's period. While the quantity sold has reduced by 42%, the reduction in revenue is only by 22% as average sales value improved from P17.53 per kg to P23.80 per kg.

Fresh meat (chilled and frozen beef) has therefore contributed 85% of total turnover from the sale of 17,143 tons. Canned products contribution of P51.7 million is 8% of the overall turnover while hides contributed P18.0 million which is 3% of the overall. Offal and By-products contributed P18.2 million or 3% and P16.1 million or 2% respectively.

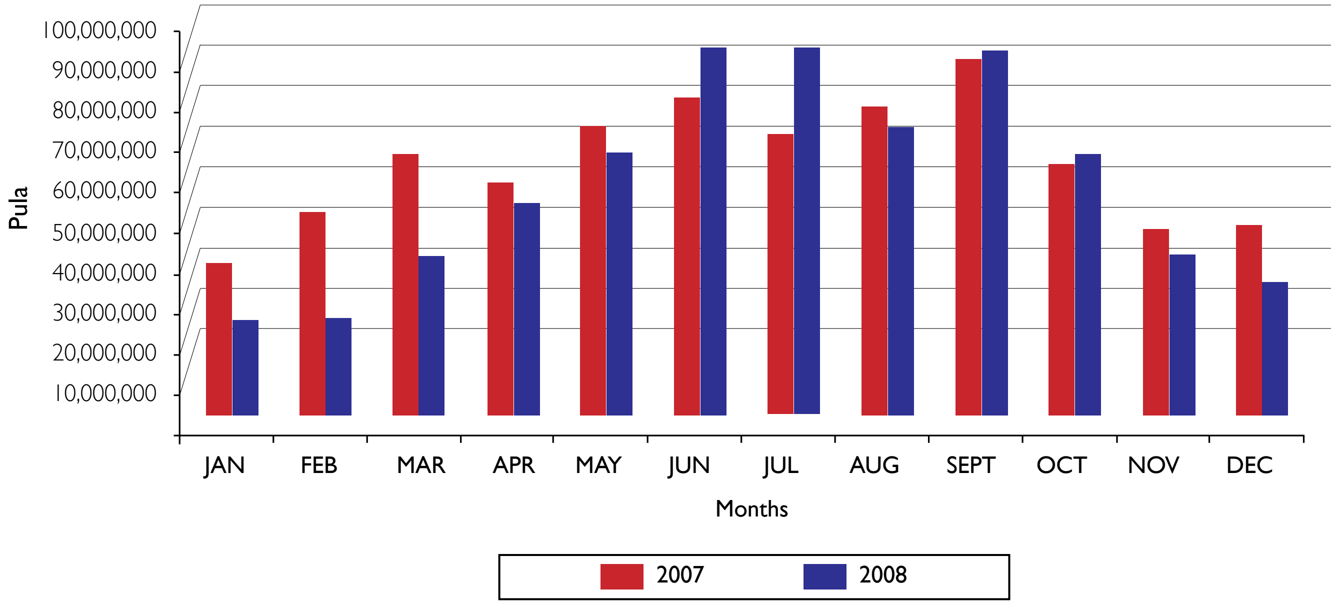
chief executive officer's review *continued

MARKET CONTRIBUTION AS % OF TURNOVER

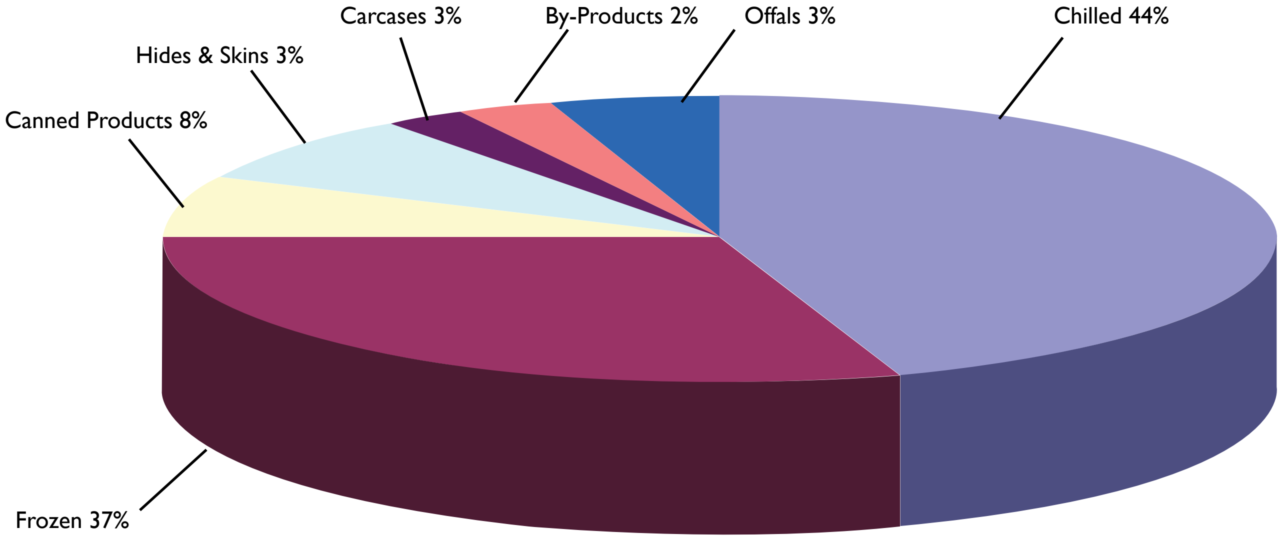


chief executive officer's review *continued

SALES TREND ANALYSIS



PRODUCT CONTRIBUTION AS % TURNOVER



chief executive officer's review *continued

FINANCIAL RESULT FOR THE YEAR

The year 2008 was an excellent one for the Commission and the Group as a whole as it achieved record operating surplus before tax of P84.1m and P81.9m respectively. This operating surplus before tax is after writing back P9m which is the difference between P25.6m owed by the Government for the Francistown abbatoir for 2007 and the P16.6m which the Government has committed to reimburse BMC. The operating profit before tax achieved in 2008, is the highest that has been achieved in the past 10 years. The other noteworthy factor is that this was the year when BMC had the lowest throughput of 113,288 cattle in the past 10 years.

The key contributors to this excellent result were the good prices that were realized in the EU with chilled prices increasing by an average of 35% during 2008. Another important factor is that Francistown operated for EU markets as compared to the Non-EU markets in 2007.

Producers also benefitted in terms of payments in 2008 because on average, payment per kg was P13.83 compared to P12.39 in 2007, representing an increase of almost 12%. Average CDM per head was 202.71kg compared to the 198.06 kg achieved in 2007.

The profit after taxation of P27.7m, appropriation of loans of P30.8m and funding the Development Reserve with P227,000 was P25.3m at Commission and P42.8m at Group level.

chief executive officer's review *continued

Minister of Agriculture Hon C. De graaf visiting BMC Subsidiary in Cape Town

SUBSIDIARIES AND ASSOCIATED COMPANIES

European Subsidiaries

Although the throughput of cattle decreased during 2008 the better prices achievable in the EU ensured that the European Subsidiaries once again provided excellent sales values for the parent company. Towards the end of the year the Dutch office and the Smithfield depot were closed as part of the ongoing European cost cutting exercise.

The results of these reduced costs will not be seen until 2009 onwards. It was reported last year that contracts had been entered into with producers in Uruguay and Italy for the sale of their products in the UK, and certain other European countries, which was expected to assist in replacing the lost Meatco EU income. Due to the lack of product from Uruguay and the unfavourable Euro to Sterling exchange rate these contracts have not yielded the expected results in 2008.

It is still anticipated however that with these contracts we will continue to contribute income to the group during 2009 albeit not to the extent initially envisaged. The shortage in supply of product being sent to the EU from South America has had a positive effect on the prices achievable for BMC in the EU; however this shortage has severely reduced the GATT income of the EU subsidiaries.

Due to the increased values, not only from BMC but also from Meatco, Allied Meat Insurance also achieved a better result for the year and was able to contribute US$700,000 (P5million) to the Commission's consolidated trading results of which profit commissions amounted to US$639,000 (P4.6million).

Allied Meat Insurance is continuing to insure all Meatco product destined for Europe as well as the importation of meat products from South America into Namibia. Similarly BMC Meat Importers (Guernsey) contributed £129,000 (P1.4million) to the consolidated trading results and £400,000 (P4.2 million) in profit commissions and dividends to the BMC Botswana results, despite there being no income from Meatco for 2008.

South African subsidiaries

The South African subsidiaries continued to provide support to BMC. In existence since 1941, TBCS has been part of the BMC Group since 1987 and has continued to be a self supporting unit, while adding value by paying management fees and insurance premiums to the Group. TBCS continued in its pivotal role of being an integral part of the BMC export chain through providing cold storage and logistical services from its premises in Paarden Eiland, Cape Town.

While not detracting from the service rendered to BMC, TBCS has been successful in retaining and expanding the business obtained

chief executive officer's review *continued

from outside customers. A good relationship exists with Meatco, who entered into new facilities rental arrangements on favourable terms in 2008. All indications are that they are delighted with the service provided by TBCS and their support is expected to continue into the future. A diversified range of other export products were handled, notably butternut and avocados. On the imports side, substantial throughput was provided by Airport Cold Store.

The former container depot and dry cargo warehouse continued to be leased out to a tile merchant in 2008. This has had the benefit of ensuring a constant monthly income. The dry cargo business was in turn operated from within the cold store premises and this arrangement has proved to be satisfactory. The shipping division provided services to a range of customers, including BMC.

In spite of negative economic conditions, TBCS managed to achieve creditable results and remain in a favourable financial position. The company has continued to produce positive operating profits from trading activities, before the intergroup management fees paid are taken into account. Staff numbers have continued to reduce through natural attrition, with new appointments only being made where deemed to be absolutely necessary.

The BMC Impex sales operation, based in the Johannesburg office and at the premises of TBCS in Cape Town, produced a positive result for the year, with market related prices being obtained in South Africa. This operation also serves an important role in providing information to BMC on trends in the SA market.

Local subsidiary

The only remaining local subsidiary Mainline Carriers continued to do well despite tough economic conditions and having sold off the majority of the property and plots it owned. The profit after tax for this company was P828,000

chief executive officer's review *continued

2008/2009 Employee Long Service Awards

HUMAN RESOURCES AND ADMINISTRATION

Employee development and wellness/welfare continue to be at the centre of what we consider priorities at the Botswana Meat Commission (BMC). During 2008 we engaged in a robust process of relooking the strategy of the Commission with the assistance of our technical partners, GRM International. This strategy has placed people at the centre of all that we do. GRM has had a Human Resources partner working with the Botswana Meat Commission to address issuies relating to staff competitiveness and employee retention.

Training and Development

Developing skills and effectiveness of our employees continues to be an important element at the Botswana Meat Commission through learning and development programmes. The BMC is committed to empowering all employees at all levels to ensure that the newly developed strategy is realized effectively. The Commission has seen the development of action teams within areas such as Production and Engineering which have started to bear fruit. These multi-functional teams will continue to be reviewed into 2009 and beyond.

The Commission is committed to the realization of objectives at all levels. These objectives can only be achieved if we have an engaged and dedicated workforce. The BMC does this through commitment to its core values that encapsulates respect, integrity for its people.

Employee Welfare and Wellness

The Botswana Meat Commission in its commitment to employee wellness and welfare has during 2008 recruited a dedicated resource to manage the implementation of the Wellness Programme. The Commission is a member of the Ministry of Agriculture Sectoral Aids Committee and has engaged on a number of activities on Voluntary Counselling and Testing within the BMC. Employee welfare has also been augmented with activities such as the Long Service Awards which have all been very successful.

The Commission has challenged itself with looking at issues relating to Gender Equity for 2009 and a number of workshops have already been undertaken to ensure that there is understanding and support for gender issues within the workplace.

chief executive officer's review *continued

OUTLOOK

The BMC Strategic Plan was approved in November 2008 and all our plans for 2009 are geared towards achieving the annual objectives in the plan. Quite a few of the interventions which needed to have been in place when the year started are yet to commence and this will affect achieving targets for this year. The most important of these is the Direct Cattle Purchasing Scheme which only started Monday March 30th in feedlots and in the non-EU district of Boteti on April 6th, and June 1st in Gantsi and Northern Kgalagadi.

The good rains have been a mixed blessing in that they have led to very low throughput in the North where they came on time, but gave farmers problems of rounding up their cattle for markets. The rains were a bit late in the South and so animals were still in relatively poor condition the first two months of the year. Even though they were a bit late in the South, they more than made up for it when they did come and this will hopefully extend the season well beyond the normal peak period into August and September.

The rains this year were generally good and there is adequate grazing for cattle. There was also an unusual winter rain through-out most of the country which will lead to signs of greenery as soon as it warms up. One should therefore expect from this, decent numbers of cattle with good weights for the last half of the year. Results so far have however been disappointing though which also points to the lack of price sensitivity of the traditional farmer who supplies the bulk of BMC's kill.

Our hope of getting good cattle numbers with good CDM in the remaining months of the year rest on the new strategy of direct cattle purchase which now have over 10,000 cattle in feedlots. Even though this started late due to logistical constraints, it has moved quickly to build up numbers once it started. These cattle will be drawn for kill in the coming months which are normally low throughput months, giving us the numbers and good CDM's. The good prices prevailing in the EU market has led to continued premium payment to be paid to the Botswana farmer.

Other initiatives that will improve cattle delivery to BMC will come from implementation of resolutions from the BMC organized permit workshop held in February 2009. Centralized permitting areas in districts have been agreed and we are currently working with the Department of Veterinary Services to have these implemented. The twenty-four hour receiving and off-loading of cattle by the BMC will also go a long way in not only improving the turn-around time for trucks but will also address animal welfare issues of bruising and dead on arrivals. This will help put more money into the farmers pockets where it belongs.

Prices in the EU continue to be firm even though they have fallen slightly compared to the same period last year. We are however going into the second half of 2009 with uncertainty on beef prices as supply from Brazil is expected to come back on stream, with more and more Brazilian farms being registered for export to the EU. We expect prices to go down towards the last quarter of the year. BMC on the other hand is positioning itself to compete with the premier grade cuts that should enable a premium to be realized on price.

The review of the BMC Act, which was greeted with excitement by all in the beef sector when it started in 2006 seems to have stalled. Three years after the process started, it has not yet been presented to Cabinet. For a business like BMC where every cattle owner takes BMC as his or her own and wants to be consulted, there is a real chance of over-consulting to the point of paralysis. Amendment of the Act was greeted with excitement as it was going to bring massive changes to the industry for the first time in more than forty years. For the BMC, the benefit would have been the concomitant review of the fourth schedule of the Income Tax Act which deals with BMC taxation. BMC, unlike any other company anywhere, is taxed based on turn-over instead of profit. We therefore still pay tax even when we have made losses, and profits in one year cannot offset the losses of previous years. This has been a bone of contention by the BMC for a very long time. We still eagerly await the review of the two Acts to bring BMC taxation in line with the rest of the world, which will enable BMC to offer farmers even more competitive prices.

The Francistown abattoir loss of Ngamiland Cattle due to the continuing FMD outbreaks in Zone 2 mandated BMC to take a strong and hard look at the opening of the Maun abattoir. The more than 350,000 cattle there were a wasting resource and the Commission was of the view that canned products from this resource can be profitable and bring good prices to the beef cattle farmers in Zone 2 than they are currently getting.

The decision was then taken to refurbish the abattoirs, which we are currently busy doing, to be operational by end of the first quarter of next year. It is being re-furbished to the same capacity of 100 animals per day even though we are cognizant of the fact that it might have to operate in shifts to kill at least 200 cattle the first few years of operation in order to take care of the back-log.

As fresh product cannot be taken out of Ngamiland to Southern Botswana where the markets are, any product from Maun will have to be heat treated. The plan will be to install a heat treatment facility in Maun to heat treat the beef before being sent to the Lobatse cannery for canning. It can then be exported and/or sold to Government for the school feeding programme.

Farmers have to be aware however that the basis for cattle payment will be the price received for the canned products less the cost of producing and selling it. It will therefore not be regional export parity prices currently being paid for the rest of the cattle in other parts of the country.

The outlook regarding FMD outbreaks in the country is a course for concern. The Ngamiland outbreaks has been going on for far too long without resolution. Fresh outbreaks continue to be reported in cattle that have been vaccinated over and over again. This outbreak now threatens to spill into other areas as happened with Gantsi in October 2008. The outbreak is not only a threat to the neighboring districts of Gantsi and Boteti but also to the rest of Botswana in this era of mass and fast travel. We call upon

chief executive officer's review *continued

Government through the Ministry of Agriculture and the Veterinary Department to re-double their efforts to deal with the outbreak.

CONCLUSION

Even though we might not meet the 2009 target kill as set in the Strategic Plan, the structures and initiatives put in place this year will go a long way in ensuring that we do meet targets for the next two years of the Strategic Plan. There is no doubt that we can do much as BMC to manage the supply of cattle, but there is only so much we can do. We were not set up to be a production company nor are we in a position to offer effective extension to the farming community.

The now not so new Department of Animal Production and that of Veterinary Services have to do much to re-orient the beef sector in the right direction of better management and weaner based production. This will take concerted efforts from all stakeholders being farmers, Government and BMC, with all of us pulling in the same direction.

The financial year 2008 was a very successful year in spite of the problems caused by low-throughput, and the Gantsi FMD outbreak. These problems were ameliorated to some extent by the slightly improved CDM and the very good prices received in our main export markets. This was the fourth successive year that BMC has made increasingly large profits. The restructuring commenced in 2006 and continued into the current Strategic Plan is bearing fruit and the farmer is reaping the benefits.

This year, BMC proudly celebrates its employees and gives them a pat on the back for the excellent work they have done in the financial year ending 31st December 2008. Because of the hard work and passion of our employees, BMC reported the best financials in more than ten years. We did not only report excellent results, but were at the same time also paying farmers the best prices than at any other time in the past. In fact on a per kg basis, BMC was paying better prices than other beef exporting countries like Namibia, Brazil, Australia etc.

I cannot emphasize enough that we at BMC attribute our growth to our focus on operational efficiencies with a view to giving the farmer the best returns for his animals. In addition to this, our tight financial management and our dedicated staff are responsible for our improved bottom line. I would like to take this opportunity to say a well deserved commendation and thank you to all BMC group companies' staff and management for a job well done.

I would like to conclude by thanking all the farmers who supplied the Commission with cattle in 2008. Thanks are also due to Agents, Feedlots, Co-operatives, and Transporters who play a vital role in being the link between farmers and the BMC.

Our parent Ministry and the wider Government is always supportive and thanks are also due to them. The Department of Veterinary Services who as the Competent Authority supervise BMC deserves special mention from among the Government structures. We appreciate their guidance and harmonious working relations culminating in Botswana beef being given access to the most discerning of markets. We cant thank them enough for their dedication and professionalism.

Thanks are also due to our Commissioners for the guidance they provide to me and my management. They should be commended for giving selflessly of their time for the benefit of the beef sector.

The GRM team has been of immense help and have provided guidance since they joined BMC in September 2007. It has certainly been a comfort to have such an experienced team next to you assisting whenever there were problems. We thank them for their willingness to help even on issues outside their original mandate

Last but certainly not least is the entire staff of the BMC Group of companies. Everything that BMC has achieved so far has been due to their hard work and dedication. Profound thanks are due to them.

Best regards.

M V Raborokgwe DVM
CHIEF EXECUTIVE OFFICER

financial statements

general information

for the year ended 31 December 2008

THE ORGANISATION

BMC is a Parastatal and was established in 1965 to promote the development of the country's livestock industry as well as the country's beef and related products globally. Its headquarters is 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 in South Africa with marketing subsidiaries in the United Kingdom, Germany, Holland and South Africa.

COMMISSIONERS:

M Modise (Chairperson)	Appointed on 1 November 2008
B Gubago (Chairman)	Resigned on 30 October 2008
M Chakalisa	Resigned on 1 April 2008
Dr L P Gakale	Appointed on 1 April 2008 (Resigned on 30 November 2008)
Dr. M Fanakiso	Resigned on 30 September 2008
Dr. N H Fidzani	
L Maika	
R W Munger	
J J Van der Merwe	
M T L Maine	
C Gabanakemo	
H Kapeko	
Dr M C Chimbombi	Appointed on 1March 2009
Mr D Barnes	Appointed on 1March 2009

EXECUTIVE MANAGEMENT:

Dr. M V Raborokgwe	Chief Executive Officer
V K Molatedi	General Manager (Finance)
C Marshall	General Manager (Livestock Procurement)
S K Molapisi	General Manager (Marketing)
Dr S Ghannie	General Manager (Francistown)
M Kgosiemang	Acting General Manager (Operations)
T Ntobedzi	Human Resources Manager
R Sebako	Corporate Manager/Company Secretary
S Madisa	Quality Manager

REGISTERED OFFICE:

Khama I Avenue
Lobatse

AUDITORS:

Deloitte & Touche
P O Box 778
Gaborone

BANKERS:

Barclays 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

contents

commissioners' statement of responsibility

for the year ended 31 December 2008

The Commissioners of the Botswana Meat Commission are responsible for the commission's and group's annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Meat Commission Act (Chapter 74:04) (As amended).

The Commission maintains systems of internal financial control, which are designed to provide reasonable assurance that the records accurately reflect its transactions, and to provide protection against serious misuse or loss of Group assets. The Commissioners are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the Commissioners to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the group annual financial statements. The Commissioners have no reason to believe that the group will not be a going concern in the foreseeable future based on forecasts, available cash resources and the continued funding and support from the Government of Botswana.

Our External Auditors conduct an examination of the financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. The External Auditors have unrestricted access to the Commissioners.

The financial statements set out on pages 35 to 69 were authorised for issue by the Board of Commissioners on 20 April 2009 and are signed on its behalf by:

Commissioner

Commissioner

independent auditor's report

to the member of Botswana Meat Commission in terms of section 20(3) of the Botswana Meat Commission Act (chapter 74:04) (as amended)

Report on the Financial Statements

We have audited the accompanying financial statements of Botswana Meat Commission, set out on pages 35 to 69, which comprise the balance sheets as at 31 December 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Commissioners' Responsibility for the Financial Statements

The Commissioners are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Meat Commission Act (Chapter: 74:04) (As amended).

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Botswana Meat Commission and the group as of 31 December 2008, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and Section 20(3) of the Botswana Meat Commission Act (Chapter 74:04) (As Amended).

Deloitte & Touche

....

Certified Public Accountants

20 April 2009
Gaborone

Resident Partner: M. Marinelli (Senior Partners) FC Els, P Naik, CV Ramatlapeng, M Bardopoulos

income statements

for the year ended 31 December 2008

		Group		Commission	
		2008	2007	2008	2007
	NOTE	P'000	P'000	P'000	P'000
SALES	1	742,750	827,223	687,107	749,894
Levies		(219)	(13,577)	(219)	(13,576)
Freight, storage and other selling expenses		(57,741)	(62,728)	(76,528)	(77,291)
Net livestock and meat costs	2	(357,481)	(493,519)	(335,594)	(458,464)
NET SALES		327,309	257,399	274,766	200,563
Production and administration costs		(274,988)	(277,677)	(223,745)	(233,044)
Share of results of associates	11	398	-	-	-
Government of Botswana revenue grant	3	-	25,639	-	25,639
Other income	4	11,909	13,791	18,041	24,816
OPERATING SURPLUS before finance costs and taxation	5	64,628	19,152	69,062	17,974
Finance costs	7	(23,107)	(25,782)	(23,514)	(24,796)
Finance income		18,253	10,102	16,424	5,469
Ammortisation of loan revaluation reserve	16.2.1	22,174	19,039	22,174	19,039
SURPLUS before taxation		81,948	22,511	84,146	17,686
Taxation	8	(28,386)	(2,898)	(27,762)	-
SURPLUS for the year		53,562	19,613	56,384	17,686

balance sheets

as at 31 December 2008

	Note	Group 2008 P'000	Group 2007 P'000	Commission 2008 P'000	Commission 2007 P'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	103,083	111,939	87,994	91,870
Investment property	10	3,058	3,144	-	-
Investments	11	1,539	1,085	7,484	7,484
Deferred taxation	18	547			
		108,227	116,168	95,478	99,354
Current assets					
Non current assets held for sale	12	3,224	3,224	3,224	3,224
Inventories	13	49,168	60,654	48,655	60,373
Tax recoverable		121	7,496	-	-
Trade and other receivables	14	107,624	125,667	81,339	109,744
Amounts due from group companies		-	-	53,990	48,043
Cash and cash equivalents	15	348,547	217,929	260,613	127,832
		508,684	414,970	447,821	349,216
Total assets		616,911	531,138	543,299	448,570
RESERVES AND LIABILITIES					
RESERVES					
Capital reserves		79,806	79,834	33,666	33,666
Loan redemption reserve		93,725	62,885	93,725	62,885
Development reserve		1,080	853	1,080	853
Stabilisation reserve		41,019	54,647	41,019	54,647
Foreign exchange fluctuation reserve		2,256	5,008	-	-
Foreign exchange stabilisation reserve		13,936	9,007	-	-
Loans revaluation reserve		53,619	99,223	53,619	99,223
Accumulated surplus		42,842	11,460	25,317	(13,628)
Total reserves		328,283	322,917	248,426	237,646
LIABILITIES					
Non-current liabilities					
Borrowings	16	139,714	142,524	139,714	142,524
Pension fund obligations	17	3,754	-	3,754	-
Deferred taxation	18	-	4,135	-	-
		143,468	146,659	143,468	142,524

balance sheets *continued

as at 31 December 2008

		Group		Commission	
		2008	2007	2008	2007
	Note	P'000	P'000	P'000	P'000
Current liabilities					
Taxation payable		29,052	1,968	27,762	-
Trade and other payables	19	67,436	48,850	60,363	42,963
Amounts due to group companies		-	-	15,926	14,693
Borrowings	16	48,672	10,744	47,354	10,744
		145,160	61,562	151,405	68,400
Total liabilities		288,628	208,221	294,873	210,924
Total reserves and liabilities		616,911	531,138	543,299	448,570

cash flow statements

for the year ended 31 December 2008

	Note	Group 2008 P'000	Group 2007 P'000	Commision 2008 P'000	Commision 2007 P'000
CASHFLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	23	147,821	129,264	153,884	128,978
Finance costs		(23,107)	(25,782)	(23,514)	(24,796)
Taxation paid		6,144	(4,710)	-	-
Net cash from operating activities		130,858	98,772	130,370	04,182
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(7,942)	(13,542)	(7,634)	(10,449)
Proceeds on disposal of property, plant and equipment	23.3	1,540	1,583	1,492	198
Proceeds on disposal of investment property		-	4,557	-	-
Finance income		18,253	10,102	16,424	5,469
Dividends received		-	-	1,152	10,341
Net cash from in investing activities		11,851	2,700	11,434	5,559
CASHFLOWS FROM FINANCING ACTIVITIES					
Net borrowings paid		(1,607)	(32,398)	(1,607)	(32,398)
Effects of changes in foreign exchange rates	23.4	(4,386)	680	-	-
Net cash used in from financing activities		(5,993)	(31,718)	(1,607)	(32,398)
Net increase in cash and cash equivalents		136,716	69,754	140,197	77,343
Effects of exchange rate changes on balance of cash held balance of cash held		2,781	(933)	2,781	(933)
Cash and cash equivalents at beginning of year		207,732	138,911	117,635	41,225
Cash and cash equivalents at end of year		347,229	207,732	260,613	117,635
Comprising:					
Cash and bank balances		348,547	217,929	260,613	127,832
Bank overdraft		(1,318)	(10,197)	-	(10,197)
		347,229	207,732	260,613	117,635

statements of changes in reserves

for the year ended 31 December 2008

Group	Total P'000	Capital reserve P'000	Loans redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Foreign exchange fluctuation reserve P'000	Foreign exchange Stabilisation reserve P'000	Loans revaluation reserve P'000	Accumulated surplus/(Deficit) P'000
Balance at 1 January 2007	319,883	78,422	31,913	511	50,000	4,221	8,993	118,262	27,561
Unrealised gain on translation of assets and liabilities arising on consolidation	2,460	1,412	-	-	-	787	14	-	247
Ammortisation of loan revaluation reserve	(19,039)	-	-	-	-	-	-	(19,039)	-
Surplus for the year	19,613	-	-	-	-	-	-	-	19,613
Appropriations/movement	-	-	30,972	342	4,647	-	-	-	(35,961)
Balance at 31 December 2007	322,917	79,834	62,885	853	54,647	5,008	9,007	99,223	11,460
Unrealised gain on translation of assets and liabilities arising on consolidation	(2,408)	(242)	-	-	(2,752)	1,186	-	(600)	
Revaluation of investment in associate	(184)	(184)	-	-	-	-	-	-	-
Transfer of share of associate result	-	398	-	-	-	-	-	-	(398)
Ammortisation of loan revaluation reserve	(22,174)	-	-	-	-	-	-	(22,174)	-
Adjustment to loan revaluation reserve	(23,430)	-	-	-	-	-	-	(23,430)	-
Surplus for the year	53,562	-	-	-	-	-	-	-	53,562
Appropriations/movement	-	30,840	227	(13,628)	-	3,743	-	(21,182)	
Balance at 31 December 2008	328,283	79,806	93,725	1,080	41,019	2,256	13,936	53,619	42,842

statements of changes in reserves *continued

for the year ended 31 December 2008

Commission	Total P'000	Capital reserve P'000	Loans redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Loans revaluation reserve P'000	Accumulated surplus/(deficit) P'000
Balance at 1 January 2007	238,999	33,666	31,913	511	50,000	118,262	4,647
Unwinding of loan revaluation reserve	(19,039)	-	-	-	-	(19,039)	-
Surplus for the year	17,686	-	-	-	-	-	17,686
Appropriations/movement	-	-	30,972	342	4,647	-	(35,961)
Balance at 31 December 2007	237,646	33,666	62,885	853	54,647	99,223	(13,628)
Ammortisation of loan revaluation reserve	(22,174)	-	-	-	-	(22,174)	-
Adjustment to loan revaluation reserve	(23,430)	-	-	-	-	(23,430)	-
Surplus for the year	56,384	-	-	-	-	56,384	
Appropriations/movement	-	-	30,840	227	(13,628)	-	(17,439)
Balance at 31 December 2008	248,426	33,666	93,725	1,080	41,019	53,619	25,317

statements of changes in reserves *continued

for the year ended 31 December 2008

Loan redemption reserve

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

Development reserve

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

Stabilisation reserve

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

Foreign exchange fluctuation reserve

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

Foreign exchange stabilisation reserve

Represents amounts of GBP250 000 and US$1 500 000 (2007: US$1 000 000), set aside by certain subsidiaries of the Commission, to be utilised for stabilisation of the impact of foreign exchange fluctuations or for any other purpose which the Commissioner, with appropriate approval, may determine from time to time.

Loan revaluation reserve

Represents the difference between loans received at rates below the ruling market rates and the amortised cost of the loans. Over the period of the loans this reserve will unwind through the finance income based on the effective interest rate yield curve.

group accounting policies

for the year ended 31 December 2008

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Botswana Meat Commission Act (Chapter 74:04) (As amended).

BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention with the exception of certain financial instruments which are shown at fair value.

The preparation of consolidated 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 statement are disclosed in the "Critical accounting judgement and key sources of estimations uncertainty" section of the financial statements.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities over which the Group 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.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. 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 the income statement.

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 asset transferred. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

An associate is an entity in which the Group 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. Under the equity method, the Group's share of the post-acquisition profits or losses of associates is recognised in the income statement 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 equals 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.

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.

FOREIGN CURRENCY TRANSLATION

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.

group accounting policies *continued

for the year ended 31 December 2008

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 the income statement.

Group companies

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

• Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
• Income and expenses for each income statement are translated at average exchange rates and;
• All resulting exchange differences are recognised as a separate component of equity

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and translated at the closing rate.

INVENTORIES

Finished Goods

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

- Meat stocks are valued at actual cost on a first-in, first-out basis.

- Deboned and processed meat stocks are valued at meat stock costs plus production and processing overheads.

- By-products are valued at estimated net realisable value.

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

Consumable Stores

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, 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 the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is possible that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

The carrying value of all assets is reviewed where there is an indication that it may be impaired. Where the carrying value of an asset is found to exceed its recoverable amount, the asset is written down to its estimated recoverable amount.

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.

-	Freehold land and buildings	25 - 40 years
-	Leasehold land and buildings	duration of the lease
-	Plant and machinery	5 - 15 years
-	Vehicles	3 - 10 years
-	Furniture, fittings and equipment	5 - 7 years
-	Computer equipment and software	3 - 5 years

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

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. Such gains or losses are included in the income statement.

INVESTMENT PROPERTY

Investment property, principally comprising a filling station, warehouse, workshop and ancillary offices owned by a subsidiary, is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is carried at cost less depreciation. Depreciation is charged at 2.5% per annum on a straight-line basis.

INTANGIBLE ASSETS

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is included in "investment in associates". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to the cash generating units for the purpose of impairment testing.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Non financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases under which the lessor retains significant risks and benefits of ownership are classified as operating leases. Obligations under operating leases are charged to the income statement in equal instalments over the period of the lease.

TRADE AND OTHER RECEIVABLES

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and are net of any bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

TRADE AND OTHER PAYABLES

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowings obtained from the Government of the Republic of Botswana at rates below the ruling market rates are originally recorded at amortised cost, determined based on the effective yield method. Under this method, the fair value of the borrowing is measured as the present value of anticipated future cash flows discounted at an applicable interest rate.

The difference between the borrowing received and the amortised cost is recognised as income when the borrowing is received and unwinds to interest expense over the period of the loan based on the effective interest rate yield curve.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from an initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that such temporary differences will not reverse in the foreseeable future.

EMPLOYEE BENEFITS

The Commission operates a defined benefit pension fund for all eligible citizen employees. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The assets of the fund are held separately from those of the Commission in an independently administered fund. The fund is actuarially valued at intervals not exceeding 3 years on the projected unit credit method.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income in the year of valuation.

Contributions to the pension fund are charged against income as incurred.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects 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. Provisions are not recognised for future operating losses.

REVENUE RECOGNITION

Revenue comprises the invoiced value of the sale of goods and services, including property rentals and insurance premiums net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

- Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

- Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

- Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

- Dividends are recognised when the right to receive payment is established being the earlier of the declaration of the dividend and the payment of the dividend.

- Insurance premiums are recognised as earned on a pro-rata basis over the period of the cover.

- Government grants are only recognised when there is reasonable assurance that the conditions attaching to them have been or will be complied with and the grants will be received. They are recognised as income, using the income approach method, over the periods necessary to match them with the related costs, which they are intended to compensate. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving the Commission immediate financial support with no future related costs are recognised as income in the period in which they become receivable. Government grants relating to assets are deducted in arriving at the carrying amount of the asset.

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risks including the effects of foreign currency exchange rates and interest rates, credit risk, liquidity and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Pounds Sterling, Euros, US Dollars and South African Rands.

The Group does not hedge against this risk.

The Commission has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk, which is not hedged.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group borrows at variable rates. These borrowings are not hedged.

Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Credit transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Cash flow and fair value interest rate risks

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

(a) Useful lives and residual values for property, Plant and equipment

The commission tests annually whether, the useful life and residual value estimates are appropriate and in accordance with its accounting policy.

(b) Income taxes

The Commission's subsidiaries are subject to income taxes in numerous jurisdictions. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The subsidiaries of the Commission recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

notes to the annual financial statements

for the year ended 31 December 2008

		Group		Commission	
		2008	2007	2008	2007
		P'000	P'000	P'000	P'000
1	SALES				
	Sale of meat and allied meat products	720,396	822,326	687,107	749,894
	Other sales - services	22,354	4,897	-	-
		742,750	827,223	687,107	749,894
2	NET LIVESTOCK AND MEAT COSTS				
	Opening Inventory (note 13)	49,994	87,977	49,713	86,859
	Livestock and meat purchases	346,497	455,536	324,378	421,318
	Cattle purchases	324,378	421,318	324,378	421,318
	Meat purchases	22,119	34,218	-	-
	Closing Inventory (note 13)	(39,010)	(49,994)	(38,497)	(49,713)
		357,481	493,519	335,594	458,464
3	GOVERNMENT OF BOTSWANA REVENUE GRANT				
	Francistown - Government revenue grant for the year	-	25,639	-	25,639
	Refer to note 14 for details of the Government revenue grant				
4	OTHER INCOME				
	Dividends from subsidiaries	-	-	1,152	10,341
	Exchange gains - net	4,578	7,101	4,510	5,011
	Profit/(loss) on disposal of property, plant and equipment	1,422	594	1,450	69
	Profit on disposal of investment property	-	2,900	-	-
	Rentals from investment property	921	892	-	-
	Sundry income	4,988	2,304	10,929	9,395
		11,909	13,791	18,041	24,816
5	OPERATING SURPLUS BEFORE FINANCE COSTS AND TAXATION				
	Operating surplus before finance costs and taxation is stated after taking the following into accout:				
	(Income)/expenses from subsidiary companies	-		-	
	- Management fees - net	-	-	(240)	(240)
	- Commission	-	-	11,273	11,551
	- Interest paid	-	-	1,119	976

notes to the annual financial statements*continued

for the year ended 31 December 2008

		Group		Commission	
		2008	2007	2008	007
		P'000	P'000	P'000	P'000
	Depreciation of property, plant and equipment	13,665	14,486	11,468	12,592
	Depreciation of investment property	86	86	-	-
	Auditors' remuneration	2,690	2,596	1,474	1,339
	Commissioners				
	- Fees	60	124	139	102
	- Expenses	635	529	264	85
	Staff costs (note 6)	122,433	114,165	95,516	85,052
6	STAFF COSTS				
	Wages and salaries	110,158	105,302	87,647	80,459
	Social security costs	12,275	8,863	7,869	4,593
		122,433	114,165	95,516	85,052
7	FINANCE COSTS				
	Bank borrowings	348	5,141	755	4,155
	Finance leases	10	183	10	183
	Long term loans	22,749	20,458	22,749	20,458
		23,107	25,782	23,514	24,796
8	TAXATION				
	Botswana taxation:				
	- current year	28,038	31,036	27,762	30,161
	- less tax rebate (note b)	-	(30,161)	-	(30,161)
		28,038	875	27,762	-
	Foreign taxation:				
	- current taxation	326	2,509	-	-
	- prior year	(49)	414	-	-
	- deferred taxation:	71	(900)	-	-
		348	2,023	-	-
	Total taxation	28,386	2,898	27,762	-

(a) The Commission is taxed in Botswana in terms of the Fourth Schedule of the Income Tax Act 1995 which is principally based on gross sales proceeds less marketing expenses.

9 PROPERTY, PLANT AND EQUIPMENT

9.1 Group	Freehold Land and Buildings	Leasehold Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Equipment	Computer Equipment	Capital Work in Progress	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Year ended 31 December 2007								
Opening carrying amount	52,546	2,731	49,231	4,565	1,872	3,761	1,611	116,317
Exchange differences	642	36	28	51	21	1	-	779
Additions	765	-	3,929	5,253	56	1,539	1,400	13,542
Reclassification to non-current assets held for sale	(1,565)	-	(1,596)	-	(32)	(31)	-	(3,224)
Disposals	(149)	-	(271)	(3,989)	(23)	-	-	(4,432)
Depreciation charge	(2,557)	(294)	(7,777)	(1,987)	(552)	(1,319)	-	(14,486)
Depreciation on disposal	91	-	253	3,099	-	-	-	3,443
Closing carrying amount	49,773	2,473	43,797	6,992	1,942	3,951	3,011	111,939
At 31 December 2007								
Cost	81,766	7,915	113,046	14,079	9,577	16,834	3,011	246,228
Accumulated depreciation	(31,993)	(5,442)	(69,249)	(7,087)	(7,635)	(12,883)	-	(134,289)
Net carrying amount	49,773	2,473	43,797	6,992	1,942	3,951	3,011	111,939

notes to the annual financial statements *continued

for the year ended 31 December 2008

9 PROPERTY, PLANT AND EQUIPMENT

9.1 Group(cont)	Freehold Land and Buildings P'000	Leasehold Land and Buildings P'000	Plant and Machinery P'000	Motor Vehicles P'000	Furniture and Equipment P'000	Computer Equipment P'000	Capital Work in Progress P'000	Total
Year ended 31 December 2008								
Opening carrying amount	49,773	2,473	43,797	6,992	1,942	3,951	3,011	111,939
Exchange differences	(2,327)	(241)	(118	(269)	(40)	(20)	-	(3,015)
Additions	853	-	5,425	858	510	785	(489)	7,942
Disposals	-	(430)	-	(241)	(520)	(135)	(42)	(1,368)
Depreciation charge	(2,809)	(265)	(7,009)	(2,006)	(656)	(920)	-	(13,665)
Depreciation on disposal	-	430	-	205	480	135	-	1,250
Closing carrying amount	45,490	1,967	42,095	5,539	1,716	3,796	2,480	103,083
At 31 December 2008								
Cost	80,292	7,244	118,353	14,427	9,527	17,464	2,480	249,787
Accumulated depreciation	(34,802)	(5,277)	(76,258)	(8,888)	(7,811)	(13,668)	-	(146,704)
Closing carrying amount	45,490	1,967	42,095	5,539	1,716	3,796	2,480	103,083

Group and Commission

The details of the Commission's and the Group's freehold land and buildings are available at the Commission's head office in Lobatse.

The Commission is engaged in a project to update and obtain all title deeds over the properties owned by the Commission as a number of title deeds over the properties are not available or reflect historical ownership data.

9 PROPERTY, PLANT AND EQUIPMENT

9.2 Commission	Freehold Land and Buildings P'000	Leasehold Land and Buildings P'000	Plant and Machinery P'000	Motor Vehicles P'000	Furniture and Equipment P'000	Computer Equipment P'000	Capital Work in Progress P'000	Total P'000
Year ended 31 December 2007								
Opening carrying amount	40,722	3	47,940	2,511	885	3,695	1,610	97,366
Reclassification to non-current assets held for sale	(1,565)	-	(1,596)	-	(32)	(31)	-	(3,224)
Additions	747	-	3,820	2,649	508	1,325	1,400	10,449
Disposals	(149)	-	-	(181)	(23)	-	-	(353)
Depreciation charge	(2,329)	-	(7,685)	(1,041)	(277)	(1,260)	-	(12,592)
Depreciation on disposal	91	-	-	133	-	-	-	224
Closing carrying amount	37,517	3	42,479	4,071	1,061	3,729	3,010	91,870
At 31 December 2007								
Cost	70,571	4,978	112,866	9,610	6,713	15,890	3,010	223,638
Accumulated depreciation	(33,054)	(4,975)	(70,387)	(5,539)	(5,652)	(12,161)	-	(131,768)
Net carrying amount	37,517	3	42,479	4,071	1,061	3,729	3,010	91,870
Year ended 31 December 2008								
Opening carrying amount	37,517	3	42,479	4,071	1,061	3,729	3,010	91,870
Additions	853	-	5,391	692	424	761	(487)	7,634
Disposals	(430)	-	-	-	-	(42)	(472)	
Depreciation charge		(2,025)	-	(7,067)	(1,248)	(293)	(835)	-
Depreciation on disposal	-	430	-	-	-	-	-	430
Write off	-	-	-	-	-	-	-	-
Closing carrying amount	36,345	3	40,803	3,515	1,192	3,655	2,481	87,994
At 31 December 2008								
Cost	71,424	4,548	118,257	10,302	7,137	16,651	2,481	230,800
Accumulated depreciation	(35,079)	(4,545)	(77,454)	(6,787)	(5,945)	(12,996)	-	(142,806)
Net carrying amount	36,345	3	40,803	3,515	1,192	3,655	2,481	87,994

10 INVESTMENT PROPERTY

	Group	
	2008	2007
	P'000	P'000
Opening carrying amount	3,144	3,230
Depreciation charge	(86)	(86)
Closing carrying amount	3,058	3,144
Cost	4,296	4,296
Accumulated depreciation	(1,238)	(1,152)
Net carrying amount	3,058	3,144

The Commissioners are of the opinion that the fair value of investment properties are in excess of the carrying amount reflected above. The details of the investment property are available at the Commission's head office.

11 INVESTMENTS

		Group		Commission	
		2008	2007	2008	2007
	%Equity held	P'000	P'000	P'000	P'000
Subsidiary companies:					
Botswana Meat Commission (UK) Holdings Limited					
Shares at cost	100	-	-	2,866	2,866
Lobatse Leathers (Pty) Ltd					
Shares at cost	100	-	-	300	300
Botswana Road Services (Pty) Ltd					
Shares at cost ***	100	-	-	-	-
Botzam Services (Pty) Ltd					
Shares at cost ***	100	-	-	-	-
Mainline Carriers (Botswana) (Pty) Ltd					
Shares at cost	100	-	-	4,308	4,308
Associated Companies:					
AMI Investments Limited		1,529	1,075	-	-
Shares at cost (USD162351@y/end rate)	50	1,215	975	-	-
Share of opening accumulated profit	100	100			
Share of revaluation in investment		(184)	-	-	-
Attributable share of profit for the year		398	-	-	-
Debentures in Clifton school at cost		10	10	10	10
		1,539	1,085	7,484	7,484

*** The cost of these shares in less than P500

		Group		Commission	
		2008	2007	2008	2007
11	INVESTMENTS (continued)	P'000	P'000	P'000	P'000
	Investments in subsidiaries are classified as follows:				
	Held to maturity investments				
	Lobatse Leathers (Proprietary) Limited	-	-	300	300
	Botswana Meat Commission				
	(UK) Holdings Limited	-	-	2,866	2,866
		-	-	3,166	3,166
	Held for sale investments				
	Botswana Road Services (Proprietary) Limited	-	-	-	-
	Botzam Services (Proprietary) Limited	-	-	-	-
	Mainline Carriers (Botswana) (Proprietary) Limited	-	-	4,308	4,308
		-	-	4,308	4,308
	Total investments in subsidiary companies	-	-	7,474	7,474

Botswana Meat Commission (UK) Holdings Limited, a company incorporated in UK and its subsidiary companies act as selling and storage agents.
Lobatse Leathers (Proprietary) Limited, a company incorporated in Botswana, is an intermediary holding company with its subsidiaries in South Africa, Guernsey and Cayman Islands.
Botswana Road Services (Proprietary) Limited and Botzam Services (Proprietary) Limited, companies incorporated in Botswana, are transport and property companies in Francistown.
Mainline Carriers (Botswana) (Proprietary) Limited, a company incorporated in Botswana, is an investment property company.
The Commission owns 50% of the issued share capital of AMI Investments Limited, an investment company incorporated in Guernsey, Channel Islands.

12 NON CURRENT ASSETS HELD FOR SALE

	Group 2008 P'000	Group 2007 P'000	Commission 2008 P'000	Commission 2007 P'000
Opening carrying amount	3,224	1,657	3,224	-
Transferred from property, plant				
and equipment (note 9)	-	3,224	-	3,224
Disposal	-	(1,657)	-	-
Closing carrying amount	3,224	3,224	3,224	3,224
At 31 December				
Cost	7,567	7,567	7,567	7,567
Accumulated depreciation	(4,343)	(4,343)	(4,343)	(4,343)
Net carrying amount	3,224	3,224	3,224	3,224

The Commission has not been able to attract any investors to buy the tannery assets. However the plans to dispose of the tannery still remain in place. The Commissioners are of the opinion that the net realisable amount of the tannery assets is greater than the carrying amount.

notes to the annual financial statements *continued

for the year ended 31 December 2008

		Group		Commission	
		2008	2007	2008	2007
13	INVENTORIES	P'000	P'000	P'000	P'000
	Finished goods	9,010	49,994	38,497	49,713
	Stores	10,158	10,660	10,158	10,660
		49,168	60,654	48,655	60,373
14	TRADE AND OTHER RECEIVABLES				
14.1	Trade receivables	85,704	73,567	60,896	64,078
	Less: Provision for doubtful debts	(10,967)	(3,550)	(10,705)	(3,550)
	Trade receivables - net	74,737	70,017	50,191	60,528
	Prepayments	6,890	3,414	6,777	2,216
	Other receivables	9,332	16,492	7,706	11,256
		90,959	89,923	64,674	74,000
14.2	Amounts due from Government of Botswana				
	Francistown abattoir subsidy	25,641	54,529	25,641	54,529
	Due for drought relief program	-	12,594	-	12,594
		25,641	67,123	25,641	67,123
	Provision for doubtful amounts due from government	(8,976)	(31,379)	(8,976)	(31,379)
	Net amount due from Government of Botswana	16,665	35,744	16,665	35,744
		107,624	125,667	81,339	109,744

In line with a letter from the Ministry of Finance referenced A(S) 51X(79) dated November 2007, the Ministry had committed to paying a subsidy in respect of the losses incurred at the Francistown Abbatoir. However, in the letter dated 25 February 2009 referenced A (S) 5X(37) addressed to the Commission, the Ministry of Finance is not convinced that the outstanding claim of P25,641,000 is justified. This matter remains open for discussion. In this regard, the Commissioners have provided for the amount due from the Government of Botswana in full untill the matter is resolved

Movement in the allowance for doubtful debts

	Group 2008 P'000	Group 2007 P'000	Commission 2008 P'000	Commission 2007 P'000
Balance at beginning of year	34,929	1,590	34,929	1,590
Current year provision	33,058	34,619	32,796	34,619
Amounts written off	(31,379)	-	(31,379)	-
Amounts recovered during the year	-	(1,280)	-	(1,280)
Balance at end of year	36,608	34,929	36,346	34,929

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk relating to trade receivables is limited due to the customer base being large and unrelated. Accordingly, the Commissioners believe that there is no further provision required in excess of the allowance for doubtful debts. There are no debtors over the due date that have not been provided for. The average credit period is 60 days (2007: 60 days)

		Group		Commission	
		2008	2007	2008	2007
		P'000	P'000	P'000	P'000
15	CASH AND CASH EQUIVALENTS				
	Cash at bank and in hand	109,004	207,350	21,070	127,832
	Short term bank deposits	239,543	10,579	239,543	-
		348,547	217,929	260,613	127,832
16	BORROWINGS				
16.1	Current				
	Bank overdraft	1,318	10,197	-	10,197
	Current Portion of Government of the Republic of Botswana loan	47,354	134	47,354	134
	Finance lease liabilities	-	413	-	413
		48,672	10,744	47,354	10,744
16.2	Non Current				
16.2.1	Government of the Republic of Botswana				
	In terms of Section (23(3) (b)) of the Botswana Meat Commission Act (Chapter 74:04), the Commission is free of obligation to repay this loan; interest at a rate not exceeding 8% per annum is payable thereon.	150	150	150	150
	On-lent from European Investment Bank. The loan bears interest at 4% per annum and is repayable annually at the rate of 5% of the distributable surplus in the preceding year or P 210,000, whichever is the lesser. The first repayment was made on 10 September, 1993. Any balance outstanding on 10 September, 2002 is repaid in 10 equal annual instalments of P 134,089 each.	402	536	402	536

16 BORROWINGS (continued)	Group		Commission	
	2008 P'000	2007 P'000	2008 P'000	2007 P'000
Interest free loan repayable in five equal instalments which should have commenced on 16 February 2009, after a grace period of three years.				
	139,162	140,810	139,162	140,810
Capital	240,000	240,000	240,000	240,000
Fair value adjustment	(75,792)	(118,229)	(75,792)	(118,229)
Current portion of loan	(47,220)	-	(47,220)	-
Ammortisation of loan revaluation reserve	22,174	19,039	22,174	19,039
Total loans from Government of Botswana	139,714	141,496	139,714	141,496
The loan from the Government of the Republic of Botswana is unsecured				
16.2.2 Lease Creditors - WesBank and Standard Chartered Bank Leased for the period of 48 months.The financed amount bears interest at 14.5% to 15.5% per annum.	-	1,028	-	1,028
Total Non current borrowings	139,714	142,524	139,714	142,524
Total Borrowings	188,386	153,268	187,068	153,268
Maturity of borrowings (excluding finance lease liabilities)				
Up to 1 year	48,672	10,744	47,354	10,744
Between 2 and 5 years	139,564	112,932	139,564	112,932
Over 5 years	150	28,151	150	28,151
	188,386	151,827	187,068	151,827
Finance leases				
Minimum lease payments				
Total lease obligation	-	638	-	638
later than 1 year not later than 5 years	-	1,053	-	1,053
	-	1,691	-	1,691
Less future finance charges	-	(250)	-	(250)
	-	1,441	-	1,441
Total non current borrowings	188,386	153,268	187,068	153,268

17 PENSION FUND OBLIGATIONS

The Commission operates a defined benefit pension plan for its eligible employees.

In accordance with statutory requirements, independent actuaries value the Fund at intervals not exceeding three financial years. Such valuations are based on the projected unit credit funding method. Under this method, the present value of benefits, which have accrued as a result of service prior to the valuation date, are compared with the value of the plan's assets. Allowance is made in the valuation of the accrued benefit for estimates of future salary increases, withdrawals and deaths benefits payable.

The most recent actuarial valuation of the defined benefit plan were performed at 30 September 2008. The results of the valuations are as follows.

	Group and Commission	
	2008	**2007**
	P'000	**P'000**
Present value of funded liabilities	(123,312)	(109,122)
Fair value of plan assets	96,482	116,414
(Deficit)/surplus	(26,830)	7,292

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

	2008 P'000	2007 P'000
Present value of funded defined benefit obligation	(123,312)	(109,122)
Fair value of plan assets	96,482	116,414
Deficit/(surplus)	(26,830)	7,292
Net actuarial losses/(gains) not recognised	23,076	(7,605)
Unrecognised liability	-	313
Net liability arising from defined benefit obligation	(3,754)	-

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2008 P'000	2007 P'000
Current service cost	4,584	3,535
Interest on obligation	11,458	8,712
Expected return on plan assets	(12,601)	(11,849)
Prior year adjustment	313	-
Unrecognised expense in prior year	-	(398)
Recognised expense for the year	3,754	-

17 PENSION FUND OBLIGATIONS (continued)

	Group and 2008 P'000	Commission 2007 P'000
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation	109,122	79,195
Interest cost	11,458	8,712
Current service cost	4,584	3,535
Benefits paid	(3,810)	(8,267)
Actuarial losses on obligation	1,958	25,947
Closing defined benefit obligation	123,312	109,122
Movement in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	116,414	103,620
Expected return on plan assets	12,601	11,849
Benefits paid	(3,810)	(8,267)
Actuarial (losses)/gains on plan assets	(28,723)	9,212
Closing fair value of plan assets	96,482	116,414
The principal actuarial assumptions used were:		
- Expected rate of return	11.40%	11.00%
- Expected rate of remuneration growth	7.50%	7.50%
- Discount rate	10.00%	10.50%
- Expected pension increases	6.50%	6.50%

17 PENSION FUND OBLIGATIONS (continued)

The major categories of plan assets, and the expected rate return at the balance sheet date for each category, are as follows:

	Group and Commission			
	Expected return		**Fair value of plan assets**	
	2008	**2007**	**2008**	**2007**
	%	**%**	**P'000**	**P'000**
Equity	12.50	12.50	70,795	82,654
Bonds	10.00	9.50	19,444	18,626
Property	10.50	10.50	3,024	2,328
Cash	10.00	7.50	3,219	12,806
Weighted average expected return	11.40	11.43	96,482	116,414

The overall expected rate of return is a weighted average of the expected return of the various category of plan assests held. The commissiners' assessment of the expected return is based on historical return trends and analysts' prediction of the market for the asset in the next twelve months. The actual return on plan assets was a loss of P16 122 000 (2007:A gain of P21 061 000).

	Group		**Commission**	
	2008	**2007**	**2008**	**2007**
	P'000	**P'000**	**P'000**	**P'000**
18 DEFERRED TAXATION				
Balance at beginning of year	4,135	6,040	-	-
Exchange differences	(4,753)	(1,005)	-	-
Income statement charge	71	(900)	-	-
Balance at end of year	(547)	4,135	-	-
19 TRADE AND OTHER PAYABLES				
Trade payables	17,861	12,207	12,489	9,035
Other payables	49,575	36,643	47,874	33,928
	67,436	48,850	60,363	42,963

20 LEVY

In accordance with the Export Tax (Chilled or Frozen Boneless Beef) Regulations, 1975, export tax, equivalent to 90% of the export levy, was paid to the Botswana Government during the financial year. The same amount was, in accordance with the Meat Industries (Beef Equalization) Special Fund Order, 1975, refunded to the Commission.

21 FINANCIAL INSTRUMENTS

21.1 Capital risk management

The Commission and Group manages its capital to ensure that it continues as a going concern while maximising the return to the stakeholder 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 statement of changes in equity.

Gearing ratio

The group's management overall 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.

	Group		**Commission**	
	2008	**2007**	**2008**	**2007**
	P'000	**P'000**	**P'000**	**P'000**
Debt (i)	188,386	153,268	187,068	153,268
Bank balances and cash	(348,547)	(217,929)	(260,613)	(127,832)
Net debt	(160,161)	(64,661)	(73,545)	25,436
Equity (ii)	328,283	322,917	248,426	237,646
Net debt to equity ratio	(47%)	(20%)	(28%)	11%

(i) Debt is defined as borrowings, as disclosed in note 16

(i) Equity comprises reserves and accumulated surplus as disclosed in the statement of changes in equity.

21 FINANCIAL INSTRUMENTS (continued)

21.2 Categories of financial instruments

	Group		Commission	
	2008	2007	2008	2007
Financial assets	P'000	P'000	P'000	P'000
Loans and receivables	449,281	340,182	389,165	283,403
Financial liabilities				
Amortised cost	284,874	204,086	291,119	210,924
Finance costs				
Financial liabilities at ammortised cost	23,107	25,782	23,514	24,796
Exchange gains and (losses)				
Loans and receivables	1,066	10,313	1,298	7,923
Financial liabilities at ammortised cost	3,512	(3,212)	3,212	(2,912)
Finance income				
Loans and receivables	18,253	10,102	16,424	5,469

The Commissioners consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

21 FINANCIAL INSTRUMENTS (continued)

	Group		Commission	
21.3 Foreign currency risk management	**2008**	**2007**	**2008**	**2007**
	P'000	**P'000**	**P'000**	**P'000**
The Commission undertakes certain transactions denominated in foreign currencies. Hence exchange rate exposures arise. 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 balance sheet date are as follows:				
South african rand creditors	1,430	2,881	1,430	3,363
Australian dollars creditors	-	32	-	32
Euro creditors	-	17	-	17
United states dollar creditors	-	215	-	1,714
British pound	-	-	-	8,539
	1,430	3,145	1,430	13,665
South african rand debtors	1,193	3,696	1,193	3,696
British pound debtors	8,645	30,906	22,751	78,847
Euro debtors	13,669	8,680	53,450	8,680
United states dollars debtors	3,254	-	3,254	-
	23,507	43,282	77,394	91,223
Net Assets of Table Bay Cold Storage				
South Africa	32,968	29,795	-	-
Net Assets of Botswana Meat Commission				
Guernsey	17,262	21,382	-	-
Net Assets Of Botswana Meat Commission				
United Kingdom	38,053	60,553	-	-
Net Assets of Allied Meat Investments				
Cayman Islands	50,735	38,459	-	-
	139,018	150,189	-	-

Foreign currency sensitivity analysis

The following table details the group's sensitivity to a 5% increase or decrease in Botswana Pula rate against the major currencies. 5% is the most likely change in exchange rates as assessed by the Commission's management. A positive number below indicates an increase in profit 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 the profit and the balances below would be negative.

Profit or loss	1,104	2,007	3,798	3,878
Equity	6,951	7,509	-	-

21 FINANCIAL INSTRUMENTS (continued)

	Group		Commission	
	2008	**2007**	**2008**	**2007**
21.4 Interest rate risk	**P'000**	**P'000**	**P'000**	**P'000**
Profit or Loss	3,036	2,789	2,372	2,133
Equity	1,392	1,408	1,392	1,408

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 move as shown below. For a 1% increase in interest rates there would be an equal and opposite impact on the profit and the balances would be negative.

21.5 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a credit policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by credit limits that are reviewed and approved by management. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate credit guarantee from reputable financial institutions is obtained. Debtors amounting to P10,967,000 (2007: P3,550,000) are past due and impaired. There are no debtors that are past due that have not been impaired.

21.6 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 cashflows and matching the maturity profiles of financial assets and liabilities. Included in note 16 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.

notes to the annual financial statements*continued

for the year ended 31 December 2008

22 RELATED PARTY TRANSACTIONS

	Commission	
	2008	**2007**
	P'000	**P'000**
The following related party transactions were entered into at fair value:		
Sale of goods and services		
Profit Commission - Allied Meat Insurance Company Limited, Cayman Islands	4,311	3,181
Profit Commission - BMC Meat Importers Limited, Guernsey	3,426	3,578
Freight Commission - BMC (UK) Holdings Limited	11,273	11,193
Management Fees - Mainline Carriers Botswana (Proprietary) Limited	240	240
	19,250	18,192
Purchase of goods and services		
Purchases - Table Bay Cold Storage (Proprietary) Limited Group	3,875	2,780
Commission - Table Bay Cold Storage (Proprietary) Limited Group	2,713	2,992
	6,588	5,772
Interest paid to subsidiaries	1,119	1,418
Receivables from related parties		
BMC UK Holdings Limited	53,888	47,941
Botswana Road Services (Proprietary) Limited	77	77
Botzam Services (Proprietary) Limited	25	25
Mainline Carriers Botswana Limited		
	53,990	48,043
Payables to related parties		
BMC Meat Importers Limited, Guernsey	5,236	8,539
Allied Meat Insurance Company Limited, Cayman Islands	6,392	1,499
Table Bay Cold Storage (Proprietary) Limited	1,384	482
BMC Importers and Exporters (Proprietary) Limited	243	-
Botzam Services (Proprietary) Limited	1,051	783
Mainline Carriers Botswana (Proprietary) Limited	1,460	3,228
Lobatse Leathers (Proprietary) Limited	160	162
	15,926	14,693

22 RELATED PARTY TRANSACTIONS (continued)

	Commission	
	2008	2007
	P'000	P'000
Related party balances included in receivables		
Allied Meat Insurance Company Limited, Cayman Islands	-	288
Feedlotters advance to key management personnel	106	-
Government of the republic of botswana	4,564	-
	4,670	288
Refer to note 16 for Government of Botswana loans and guarantees		
Amount due from government included in provision for bad debts	788	-
Sales to the Botswana Government	33,509	31,328
Transactions with Board of Commissioners		
Procurement of cattle	573	995
The commissioners' fees and expenses are disclosed in Note 5.		
Remuneration of key management personnel		
Short term benefits	4,325	2,565
Post retirement benefits	1,423	543
	5,748	3,108

With the exception of the Commissioners fees and expenses, the related party transactions are eliminated at group level

23 NOTES TO THE CASH FLOW STATEMENT

	Group		Commission	
	2008	2007	2008	2007
	P'000	P'000	P'000	P'000
23.1 Cash utilised by operations:				
Operating surplus				
before finance costs and taxation	64,628	19,152	69,062	17,974
Adjustments for:				
Depreciation of property, plant and equipment (note 9)	13,665	14,486	11,468	12,592
Depreciation of investment property (note 10)	86	86	-	-
Profit on disposal of property, plant and equipment	(1,422)	(594)	(1,450)	(69)
Pension fund obligations	3,754	-	3,754	-
Profit on disposal of investment property	-	(2,900)	-	-

23 NOTES TO THE CASH FLOW STATEMENT (continued)

	Group 2008 P'000	Group 2007 P'000	Commission 2008 P'000	Commission 2007 P'000
Dividends from subsidiaries	-	-	(1,152)	(10,341)
Ammortisation of loan revaluation reserve	22,174	19,039	22,174	19,039
Unrealised exchange (gains)/loss	(2,781)	933	(2,781)	933
Share of results of associates	(398)	-	-	-
	99,706	50,202	101,075	40,128

23.2 Movements in working capital

	Group 2008 P'000	Group 2007 P'000	Commission 2008 P'000	Commission 2007 P'000
Decrease in inventories	11,486	35,504	11,718	34,667
(Increase)/decrease in amounts due from, group companies	-	-	(5,947)	17,450
Decrease in trade and other receivables	18,043	33,168	28,405	28,240
Increase in trade and other payables	18,586	10,390	17,400	12,928
Increase/(decrease) in amounts due to other group companies	-	-	1,233	(4,435)
	48,115	79,062	52,809	88,850
Cash generated from operation operations	147,821	129,264	153,884	128,978

23.3 Proceeds on disposal of property, plant and equipment

	Group 2008 P'000	Group 2007 P'000	Commission 2008 P'000	Commission 2007 P'000
Cost	1,368	4,432	472	353
Accumulated depreciation	(1,250)	(3,443)	(430)	(224)
Net carrying amount	118	989	42	129
Profit on disposal of assets (Note 4)	1,422	594	1,450	69
Proceeds on disposal	1,540	1,583	1,492	198

23 NOTES TO THE CASH FLOW STATEMENT (continued)	Group		Commission	
	2008	2007	2008	2007
	P'000	P'000	P'000	P'000
23.4 Effects of changes in foreign exchange rates				
Property, plant and equipment	3,015	(779)	-	-
Reserves	(2,408)	2,460	-	-
Deferred tax	(4,753	(1,005)	-	-
Investments	(240)	4	-	-
	(4,386)	680	-	-

24 CONTINGENT LIABILITIES

The group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business as follows:				
Bond of surety covering outstanding liabilities under the BMC Staff Motor Vehicle Advance scheme	2,550	3,000	2,550	3,000
Guarantees in respect of home loan advances	5,131	4,927	5,131	4,927
Guarantee facility from Standard Chartered Bank Botswana Limited	230	230	230	230
Guarantee by Barclays Bank Germany Limited for the UK Subsidiary	23,631	31,280	-	-
Guarantee by Standard Bank of Botswana in favour of Standard Bank London	22,442	13,286	22,441	13,286
Guarantee by Standard Bank of Botswana in favour of Standard Bank London	7,692	-	7,692	-
Deed of surety in respect of BMC cattle trader loan scheme	2,750	-	2,750	-
Claims of unfair dismissal by former employees	74	-	74	-
Guarantee by Standard Bank of Botswana in favour of District of and Administration and food relief service	5,350	-	5,350	-
	64,500	52,723	38,044	21,443

The Commission has various other litigation cases ongoin with former employees of which the likely outcome cannot be determined at this stage.

The Group has a contingent tax liability arising from Allied Meat Importers in Germany with respect to transfer pricing to another subsidiary Allied Meat Imported Holland. Tax consultants are in the process of reviewing this position.

notes to the annual financial statements*continued

for the year ended 31 December 2008

25 FUTURE CAPITAL EXPENDITURE

	Group		Commission	
	2008	**2007**	**2008**	**2007**
	P'000	**P'000**	**P'000**	**P'000**
Authorised but not yet contracted for	125,739	49,301	125,739	49,301

The above future capital expenditure will be financed out of cash generated from operations.

26 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Board of Commissioners are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in these financial statements that would have a significant effect on the operations of the Commission, Group or the result of its operations.

27 ADOPTION OF NEW AND REVISED STANDARDS

The following standards came into effect during the current financial year. Non had any impact on the financial reporting of the Commission.

Standard	**Effective Date**
IFRIC 11 – IFRS 2: *Group and Treasury Share Transactions*	1-Mar-07
IFRIC 12 – *Service Concession Arrangements*	1-Jan-08
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1-Jan-08

Standard	**Effective Date**
IFRS 2 (AC 139) - *Share Based Payments*	1-Jan-09
IFRS 3 (AC 140) - *Business Combinations*	1-Jul-09
IFRS 8 (AC 145) - *Operating Segments*	1-Jan-09
IAS 1 (AC 101) - *Presentation of Financial Statements*	1-Jan-09
IAS 23 (AC 114) - *Borrowing Costs*	1-Jan-09
IAS 27 (AC 132) - *Consolidated and Separate Financial Statements*	1-Jul-09
IAS 28 (AC 110) - *Investments in Associates*	1-Jul-09
IAS 31 (AC 119) - Interests in Joint Ventures	1-Jul-09
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1-Jul-09
IFRIC 13 – *Customer Loyalty Programs*	1-Jul-08
IFRIC 15 - *Agreements for the Construction of Real Estate*	1-Jan-09
IFRIC 16 - *Hedges of a Net Investment in a Foreign Operation*	1-Oct-08
IFRIC 17 - *Distributions of Non-cash Assets to Owners*	1-Jul-09

27 ADOPTION OF NEW AND REVISED STANDARDS (continued)

On 22 May 2008, the International Accounting Standards Board (IASB) issued its latest Standard, titled Improvements to International Financial Reporting Standards 2008. The Standard included 35 amendments to various Standards.

Standard	**Effective Date**
IFRS 1 (AC 138) - *First-time Adoption of International Financial Reporting Standards*	1-Jan-09
IFRS 5 (AC 142) - *Non-current Assets Held for Sale and Discontinued Operations*	1-Jul-09
IAS 1 (AC 101) - Presentation of Financial Statements	1-Jan-09
IAS 16 (AC 123) - Property, Plant and Equipment	1-Jan-09
IAS 19 (AC 116) - Employee Benefits	1-Jan-09
IAS 20 (AC 134) - Accounting for Government Grants and Disclosure of Government Assistance	1-Jan-09
IAS 27 (AC 132) - *Consolidated and Separate Financial Statements*	1-Jan-09
IAS 28 (AC 110) - *Investments in Associates*	1-Jan-09
IAS 29 (AC 124) - Financial Reporting in Hyperinflationary Economies	1-Jan-09
IAS 31 (AC 119) - Interests in Joint Ventures	1-Jan-09
IAS 32 (AC 125) - Financial Instruments: Presentation	1-Jan-09
IAS 36 (AC 128) - Impairment of Assets	1-Jan-09
IAS 38 (AC 129) - Intangible Assets	1-Jan-09
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1-Jan-09
IAS 40 (AC 135) - Investment Property	1-Jan-09
IAS 41 (137) - Agriculture	1-Jan-09

ten year reveiew

	YEAR ENDED SEPTEMBER 30							YEAR ENDED DECEMBER 31		
INCOME STATEMENT	**1998/99**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
	P'000	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Turnover	366,747	450,151	516,231	397,938	394,006	441,335	462,857	513,319	827,223	742,750
Operating Surplus/(Deficit)	(3,916)	(7,075)	60,009	(13,461)	(69,507)	(5,838)	18,245	53,830	22,511	81,946
Taxation	(11,826)	(14,514)	(18,823)	(6,170)	(715)	3	(1,080)	4,968	(2,898)	(56,148)
Surplus/(Deficit) After Tax	(15,742)	(21,589)	41,186	(19,631)	(70,222)	(5,835)	17,165	58,798	19,613	25,798
BALANCE SHEET										
Capital and Reserves	175,782	151,945	180,623	146,498	74,774	114,098	132,758	319,883	322,917	300,519
Long Term Loans	10,831	7,939	13,578	10,817	7,683	20,947	12,140	123,013	142,524	139,714
Deferred Tax	485	3,318	3,175	8,619	7,950	4,736	4,843	6,040	4,135	-
Capital Employed	187,098	163,202	197,376	165,934	90,407	139,781	149,741	448,936	469,576	440,233
Fixed Assets and Investments	149,986	162,601	167,914	142,218	125,870	164,494	156,573	120,636	116,168	108,227
Net Current Assets	37,112	601	29,462	23,716	(35,463)	(24,713)	(6,832)	328,300	353,408	335,759
Employment of Capital	187,098	163,202	197,376	165,934	90,407	139,781	149,741	448,936	469,576	443,986
Bonus Paid(Percent)	-	-	8	-	-	-	-	-	-	-

ten year reveiew *continued

	YEAR ENDED SEPTEMBER 30							YEAR ENDED DECEMBER 31		
	1998/99	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
	P'000	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
THROUGHPUT:										
Cattle	140,245	160,412	168,753	113,564	153,498	130,031	117,962	137,336	171,229	113,328
Smallstock	1,406	442	214	82	183	49	13	106	-	-
Average CDM of Cattle(Kgs)	189.36	195.67	205.18	201.09	193.74	197.60	197.9	199.4	198.06	202.7
Average Producer Price										
Pula/100Kgs	563.68	591.10	603.57	655.23	696.89	694.13	695.08	1,046.11	1,239.48	1,382.99
GRADES:										
Super S(Percent)	20.40	22.00	27.10	28.00	26.06	25.57	23.44	23.84	33.65	34.45
Detained(Percent)	8.40	9.10	9.10	8.70	9.91	10.43	10.52	9.88	9.93	10.51
RAINFALL										
Lobatse(mm)	425	768	698	291	341	545	1,192	665	334	382
Francistown(mm)	444	1207	543	163	373	834	968	633	343	309
Maun(mm)	373	676	467	261	219	426	945	608	315	381
PRODUCTION TONS OF BEEF										
Lobatse	11,121	12,559	13,830	11,492	13,106	10,058	9,679	12,941	14,279	10,407
Maun	-	-	-	-	-	-	-	-	-	-
Francistown	6,834	9,003	9,697	3,029	4,880	5,885	6,067	4,740	6,201	4,025

notes