2013 ANNUAL REPORT

Botswana Meat Commission

MISSION

To produce quality meat and value adding products for global markets

VISION

A globally renowned meat and diversified products enterprise

BRAND PROMISE

Meat Perfection Defined

BMC: The biggest abattoir in Africa prides itself with the new era award for technology, innovation and quality.

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History of BMC

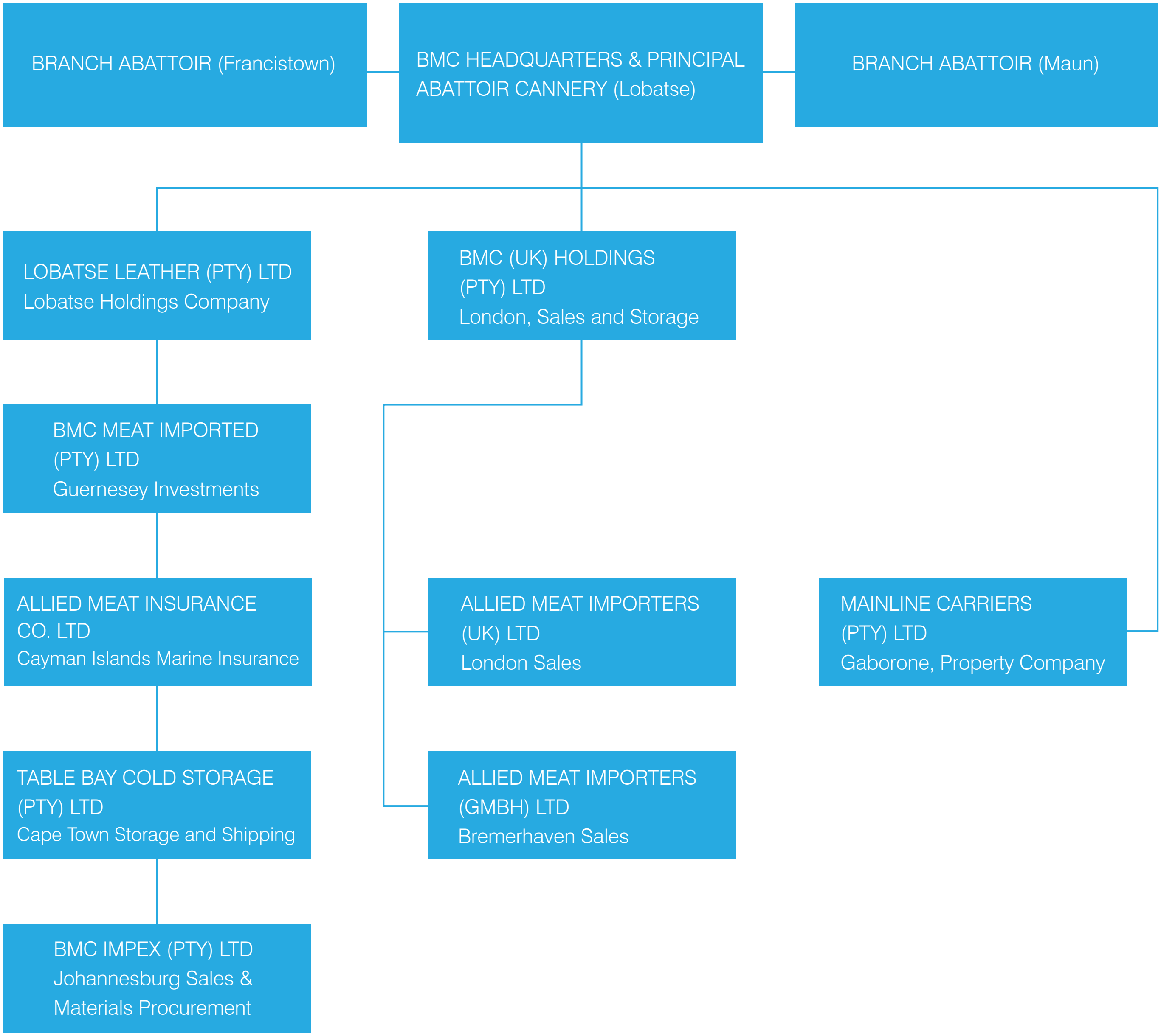
Botswana Meat Commission was established on 24th December 1965, by an act of Parliament to promote the development of the country's beef and related beef products globally. The first abattoir was opened in Lobatse with Maun and Francistown abattoirs following in 1983 and 1989 respectively.

The Maun Abattoir was closed indefinitely in 1996 due to shortage of cattle supply. The BMC has had a significant contribution to the development of the country over the years. In the early years of Botswana's development as an independent nation beef export was the only foreign exchange earner.

Although beef is no longer the largest earner of foreign exchange, it remains important to the economy as it has different impacts on the rural population who rely on farming for their livelihood.

BMC headquarters in Lobatse comprises an integrated complex housing an abattoir, deboning and cutting plant, cannery rendering plant and tannery. Besides owning three abattoirs in Botswana, BMC has storage facilities in South Africa and a Sales Office in the United Kingdom and South Africa.

Group Structure



- The Botswana Meat Commission is committed to the principles of openness, intergrity and accountability. The Commission recognises the need to conduct the business of the Commission with intergrity and in accordance with generally accepted corporate practices. Accordingly the Commissioners endorse the principles contained in both the King and Cadbury reports.

Board Members

The Board and Management of the Commission developed and rolled out a three (3) year Strategic Plan to address the entire value chain of BMC, including embarking on a financial restructuring exercise

Dr. T. Matsheka	Chairperson
Dr. M.C. Chimbombi	
L. Morakaladi	
T. Modungwa	
J. Maphorisa	
L. Serema	
I. Seloko	Resigned 31/12/2013
S. Matikiti	Resigned 31/12/2013
O. Kgotlafela	Appointed 01/01/2014
G. Mosimaneotsile	Appointed 01/01/2014
M. Mokgosana	Appointed 01/01/2014
D. Mmile	Appointed 01/01/2014
M. Dube	Appointed 01/01/2014

Executive Management

DR. AKOLANG. R. TOMBALE
Chief Executive Officer

SHYAM GOTETI
Chief Financial Officer

DR. STEPHEN GHANIE
Strategy, Projects & Innovations

DR. BOITUMELO MOGOME-MASEKO
Compliance

Heads of Departments

MARCUS KGOSIEMANG
Plant Manager (Lobatse)

MPHO MOLOKWE
Cannery Manager (Lobatse)

MOTHOBI MOTHOBI
Plant Manager (Maun)

BOSIELA SAUDU
Plant Manager (Francistown)

MBAAKANYI LENYATSO
Accounts

ATHULANG NGWIGWA
Human Capital

ENOCH MUSHANGO
Internal Audit

MODIRI GARENAMOTSE
Safety Health

ANGELINA MOGOROSI
Finance

BALBI KGAFELA
Purchasing & Supplies

SEIKANELO MADISA
Compliance

SHATO MANYANDA
Distribution

TSHEPISO NAPE
Legal Counsel

OABONA RAMOTSHWARA
Sales & Marketing

ERENCE KOTOKWE
Livestock Procurement

MOOKETSI MADUME
Livestock

DINEWE DUTA
Security

BILLY MAUCO
Information Services

Board Chairperson's Statement

I am confident that the Board has the right blend of skills, expertise and experience to guide BMC to greater heights as well as guarding and protecting the interest of all its stakeholders.

It is a source of great pleasure for me to present to you the Annual Report for the Botswana Meat Commission (BMC) for the year 2013. This was a good year as BMC performed well despite the major challenges that it has been facing over the last several years. The positive performance came about as a result of several initiatives that the BMC Management embarked on over the past year to turn the Commission around. These initiatives included better management of feedlots, reduction in operating costs, improving plant efficiencies and stock management.

The Board and Management of the Commission developed and rolled out a three (3) year Strategic Plan to address the entire value chain of BMC, including embarking on a financial restructuring exercise. This Plan was necessary in order to show a roadmap for the direction that BMC was taking to improve operational and financial efficiencies and enable it to be more competitive in the international market.

BMC has widened its market base and products are now well received by customers across the globe. BMC has access to more than (ten) 10 countries in Europe as well as the Far East and Middle East. This has given confidence to BMC to strive to penetrate even more alternative markets other than its traditional ones.

I am confident that the Board has the right blend of skills, expertise and experience to guide BMC to greater heights as well as guarding and protecting the interest of all its stakeholders. The Board of Commissioners met regularly during the year, including at Sub-Committee levels to assist Management to identify key focus areas with a view to continuing to turnaround the Commission. I am delighted to report that both the Board and Management of BMC are working hard to attain the Strategic Plan they have formulated for BMC and it is my belief that it will in fact be so achieved.

On behalf of the BMC Board of Commissioners I would like to thank the Government of Botswana, all stakeholders including the Commissioners themselves, Cattle Producer Associations, Customers and Employees for their continued commitment and support to the Commission and to the beef industry in its entirety.

DR. THAPELO MATSHEKA
Board Chairperson

Chief Executive Officer's Overview

The Botswana Meat Commission (BMC) has come a long way in 2013. For the second time in its history, BMC achieved a turnover of over P1 Billion. It also achieved its target of breakeven from a total comprehensive loss of 307 Million in 2012 to a profit of 224 Million in 2013

The Botswana Meat Commission (BMC) has come a long way in 2013. For the second time in its history, BMC achieved a turnover of over P1 Billion. It also achieved its target of breakeven from a total comprehensive loss of 307 Million in 2012 to a profit of 224 Million in 2013

The 2013 profit was made possible by several initiatives that BMC has embarked on over the past year. These initiatives include; better management of feedlots, reduction in operating costs, improving plant efficiencies and stock management. At the beginning of the year BMC, through the Direct Cattle Purchase (DCP) programme, bought cattle from different parts of the country and placed them in the feedlot for 90 days during which time it financed the cattle feeding. The financing structure of these feedlots transferred all the risk to the Commission thus significantly increasing costs of the BMC operations. One of the early turnaround strategies in 2013 was to reform the feedlot financing model whereby the feedlots were now financed by financial institutions in order to balance the feedlot operating risks. These strategies resulted in cost reduction and ultimate revenue improvement.

The revenue generated in 2013 clearly demonstrate the importance of selling product in EU market. The 16 percent of volume sold in EU in 2013 resulted in 41% of total revenue and 73.54% of other markets resulted in 54% of total revenue. This market opportunity underscores the need to produce and sell more product in EU market, however the challenge remains the supply of eligible cattle for EU market.

Chief Executive Officer’s Overview (Continued)

In 2013 the Management along with Commissioners engaged in developing a three year strategy plan. The plan includes 7 strategic themes across the Group, indicating the key areas for future performance of the Group. These areas are 1) Financial restructure 2) Animal procurement 3) Production capacity and productivity 4) Aggressive and innovative marketing 5) Transformation of the organization into a high performance culture 6) Process efficiencies across the value chain 7) Diversification and partnering opportunities. The commission has drawn an action plan with a time frame to deliver results from these strategies.

During the period under review the company retained EU certificate for Lobatse, and also attained ‘A’ grade certificate from British Retail consortium for both Lobatse and Francistown plants. Both Plants also are now ISO 9001 certified. Lobatse was our flagship abattoir as the bulk of the market turnaround success was obtained solely out of out from this plant.

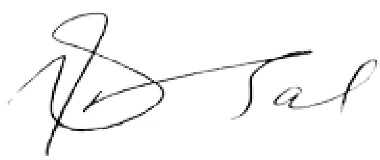
The appointment of Global Protein Solutions (GPS) as BMC marketing agents contributed to the Commission’s success in obtaining improved results for 2013 as more products were produced per customer specifications and order. Market intelligence information was provided in terms of customer demands and buying trends, which enabled management to optimize target market selection.

Lobatse Plant is very old and requires modernization, especially installation of technology to make it operate more efficiently to meet the requirements for a market focused strategy. This will require significant funding. In order to raise the required financing BMC will be considering options to attract equity or funding from a number of strategic partners on the basis of the unique operating environments of its plants. The strategic partners would be required for their marketing contribution as well as to provide technical expertise to improve the competencies of BMC operations to meet specific market demands.

Maun abattoir produced to capacity during the year, complemented by live cattle exports to Zimbabwe. The opportunities for this abattoir to sell boneless beef in different parts of the green zone and to Lobatse cannery, helped to sustain relatively good prices for Ngamiland producers. These producer prices are likely to improve further as we diversify products and markets from the abattoir, and also increase our retail market share in Ngamiland.

In spite of good throughput for Francistown, particularly during the peak supply period of March to August, the delisted status of the plant’s cattle supply chain reduced the market value of its output to only the local and regional market. Relisting of the catchment zones for this plant is key to exploring future opportunities to exploit its potential.

In going forward the Commission requires the right type of leadership and a supportive environment in order to make a successful turnaround. I am confident that with the support of farmers, Ministry of Agriculture and indeed the Government of Botswana and other stakeholders such as customers, employees, and financial institutions, 2013 was only the beginning for BMC in its path of recovery to operate profitability.



DR AKOLANG R. TOMBALE
Chief Executive Officer

Operations

The average CDM achieved was 221.34kg/head, which exceeded target CDM for the year. The relatively large throughput from feedlots supplying Lobatse abattoir had a significant impact on this achievement.

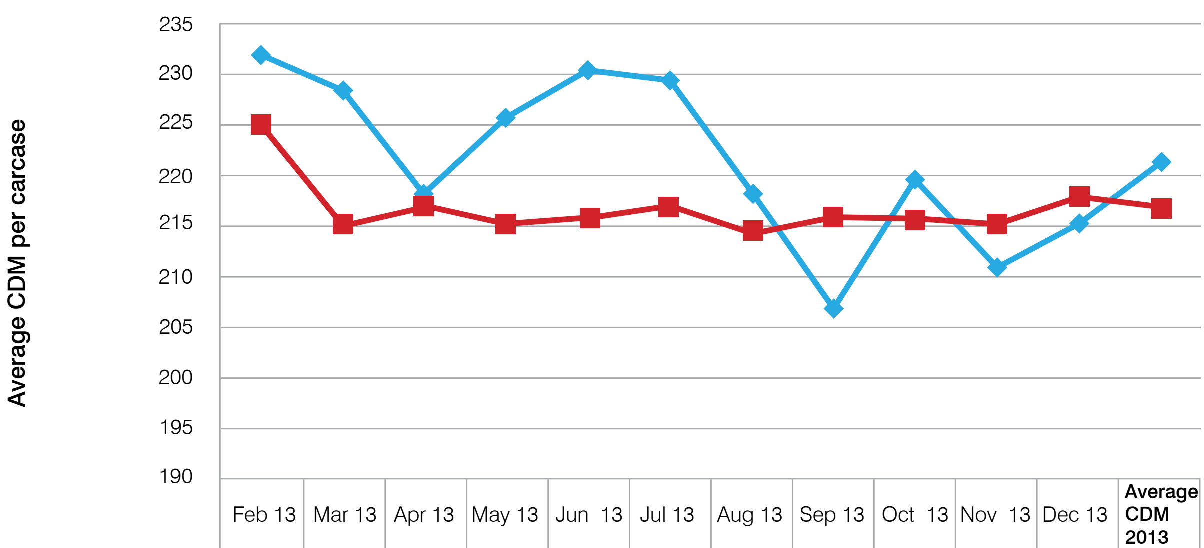
Operations - Lobatse

Yield 2013

Product	Quantities Produced(Kgs)
Boneless beef	13,422,019
Carcasses (forequarter and hindquarter)	12,370

Achieved 69.05% boneless beef yield for 2013.

Monthly Average Cold Dress Mass for 2013



	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	**Average CDM 2013**
Achieved CDM	231.88	228.34	218.24	225.54	230.42	229.35	218.21	207.05	219.52	210.87	215.36	**221.34**
Target CDM	225	215.14	216.95	215.14	215.8	216.96	214.55	215.8	215.59	215.14	217.92	**216.73**

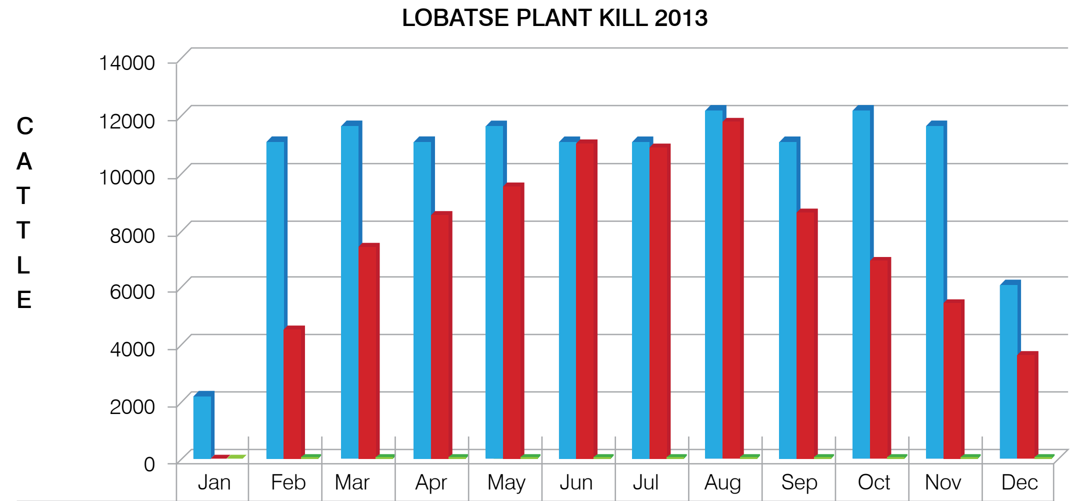
The average CDM achieved was 221.34kg/head, which exceeded target CDM for the year. The relatively large throughput from feedlots supplying Lobatse abattoir had a significant impact on this achievement.

Throughput and grade analysis for 2013

The target kill for 2013 was 122,100 cattle with an actual kill of 87,999 head. This included 116.5 carcasses which were condemned on the line that translates to 72% achievement of the budget. During the 2013 kill period 213 kill days were budgeted for production. Even though there was no kill during January because of the annual shutdown and there were mini shutdowns from mid-November to mid-December, the actual number of kill days were 214 days, a day above the budgeted days. The targeted number of cattle to be slaughtered in the abattoir was not achieved as there were low supplies of animals during first and last quarters of the year.

Operations - Lobatse (Continued)

The table below shows actual kills against budget by month:

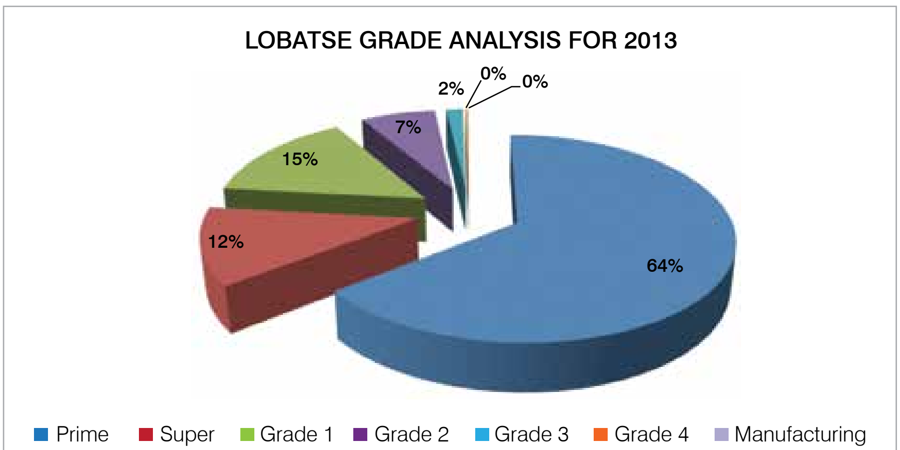


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budget	2,220	11,100	11,655	11,100	11,655	11,100	11,100	12,210	11,100	12,210	11,655	6,105
Actual	0	4,564	7,380	8,513	9,490	10,993	10,872	11,723	8,573	6,841	5,439	3,611

Grade analysis

As shown in the diagram below, 64% of the throughput yielded Prime Grade carcasses, again demonstrating the role played by the weaner and feedlot programme in carcase quality improvement. Cattle sourced directly from veld produced mostly Grades Super and One.

GRADE	SOUND	DETAINED	TOTAL HEAD
Prime	48,883	7,772	56,655
Super	9,362	1,452	10,814
Grade 1	11,442	1,480	12,922
Grade 2	5,230	693	5,923
Grade 3	1,180	135	1 315
Grade 4	189	20	209
Manufacturing	38	9	47
TOTAL	76,324	11,559	87,883



Strategic Issues

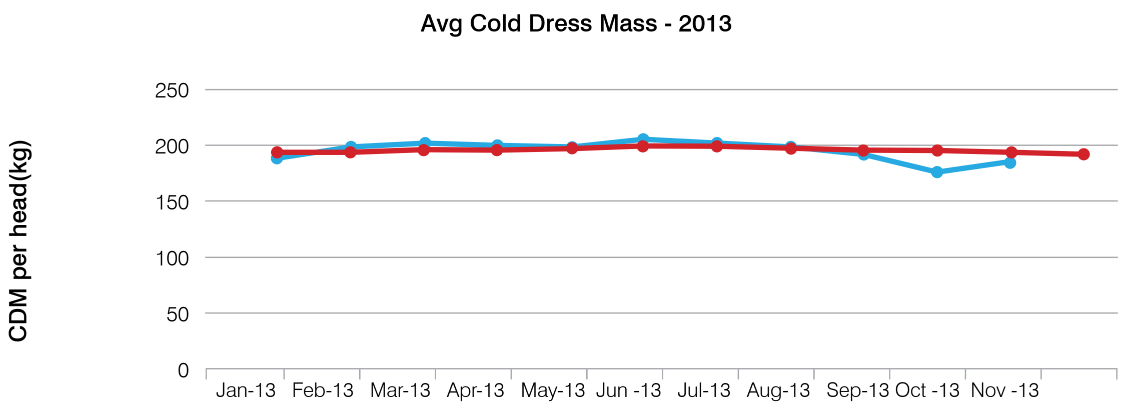
Lobatse abattoir commands the highest value amongst all the three export abattoirs. In order to strengthen and improve this position, strategic growth areas will focus around,

- Further improving supplies of quality cattle to the abattoir, the highest percentage coming from EU registered holdings,
- Upgrading production facilities including equipment reliability and process layout, and
- Improving all types of product yields and the production of value added cuts.

Operations - Francistown

Yield 2013

Product	Quantities Produced(Kgs)
Boneless beef	5,101,520.27
Carcasses (forequarter and hindquarter)	6,020.60



	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	
Avg CDM	188.77	199.35	202.64	200.17	199.87	205.28	202.31	198.43	192.45	176.99	183.91	
Target	196	196	197	198	199	200	200	199	198	197	196	

In December 2013 there was no actual production due to annual shutdown maintenance.

Throughput and grade analysis for 2013

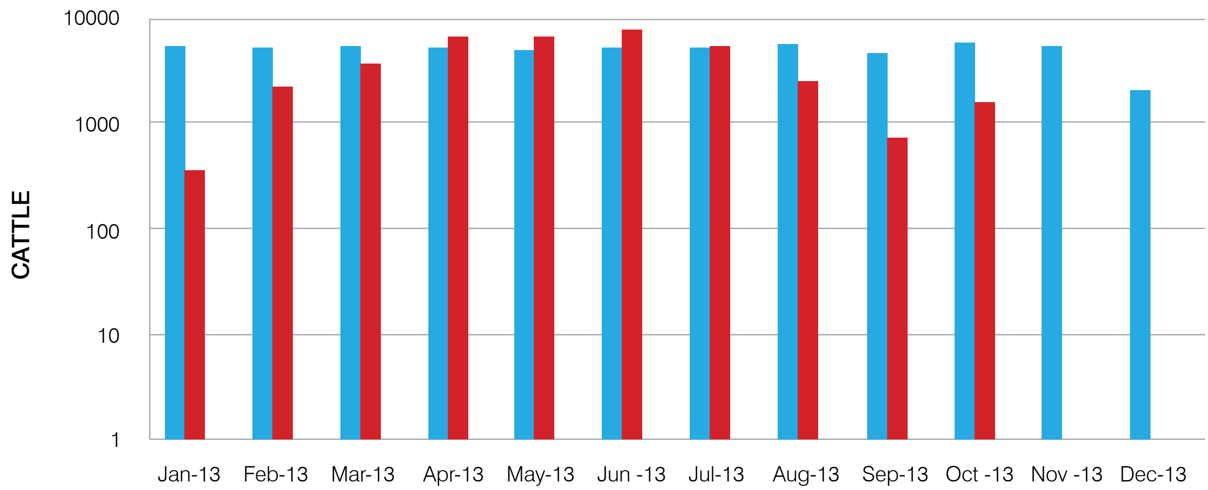
The target for 2013 was 60,440 with an actual kill of 38,033 including 121 carcasses which were condemned on the line which is 63% of budget. During the 2013 kill period, 98 kill days were lost because of low supply of animals to the abattoir culminating with no production in November and December.

The average CDM gradually decreased towards the end of the third quarter of the year mostly because the animals had lost weight after the veld had started deteriorating in quality.

Operations - Francistown (Continued)

The table below shows actual kills against budget by month:

FRANCISTOWN PLANT KILL 2013



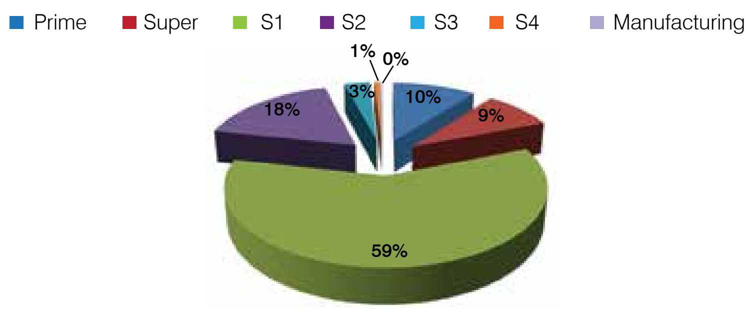
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun -13	Jul-13	Aug-13	Sep-13	Oct -13	Nov -13	Dec-13
Budget	5,460	5,200	5,460	5,200	4,940	5,200	5,200	5,720	4,680	5,770	5,460	2,080
Actual	354	2,262	3,732	6,920	6,862	7,619	5,459	2,484	727	1,617	0	0

Grade analysis

Fifty nine percent (59%) of the throughput yielded Grade 1 carcasses. As similarly explained under the report for Lobatse, these grades are typical for cattle supplied directly from the veld. Grade 2 was also significant at 18% of throughput, again demonstrating a large number of older cattle of average conformation.

GRADE	SOUND	DETAINED	TOTAL HEAD
Prime	3,488	415	3,903
Super	2,814	468	3,282
S1	19,297	3,035	22,332
S2	5,555	1,013	6,568
S3	1,059	159	1,218
S4	250	24	274
Manufacturing	59	9	68
TOTAL	**32,522**	**5,123**	**37,645**

FRANCISTOWN GRADE ANALYSIS FOR 2013



Strategic Issues

The total throughput at Francistown was almost half the annual plant capacity. Further plant performance improvements will come from,

- Increasing cattle throughput sourced from the red zones'
- Production of value added cuts for other markets outside the European Union and improving operating cost efficiencies,
- Ultimate relisting of the plant to export to the EU market, which will resuscitate feedlotting activities around the plant.

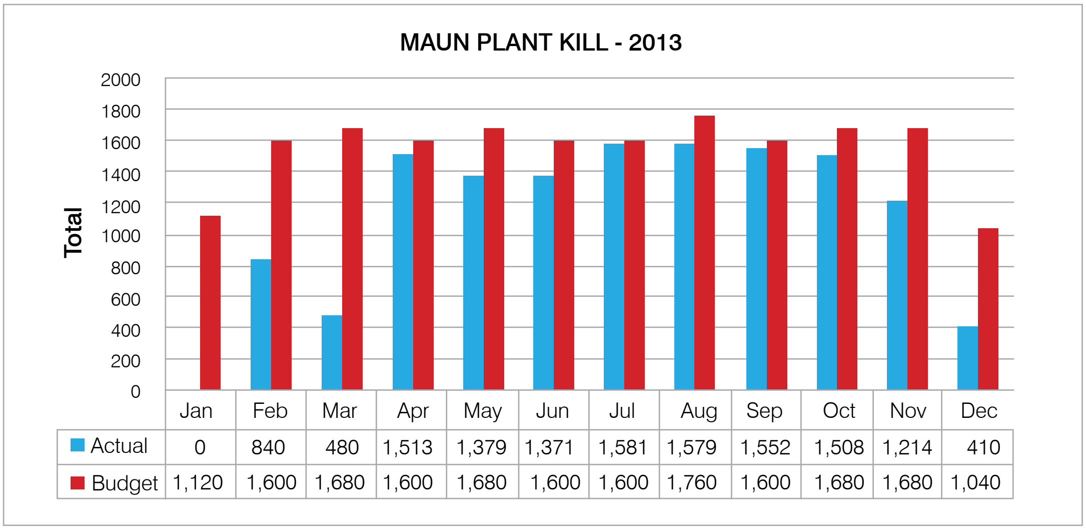
Operations - Maun

Yield 2013

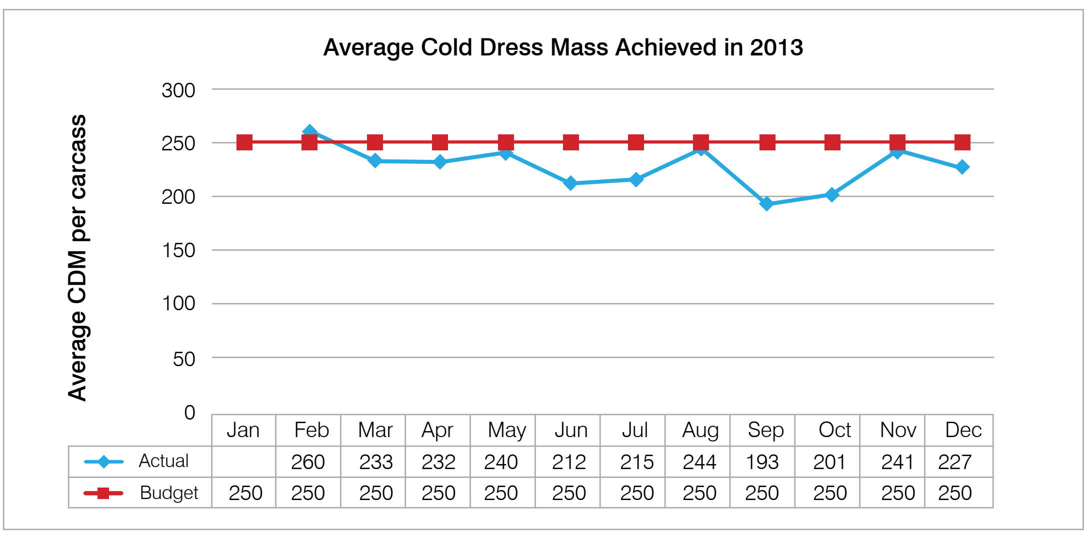
The following shows the quantities of Boneless and Bone-in meat produced from the Maun abattoir in 2013`. The number of cattle slaughtered within that period is also show in the chart below.

Product	Quantities (Kgs)
Boneless beef	1,775,469.65
Forequarter- bone in	74,632.10

Maun abattoir can only trade in bone-in cuts in the red zones of Ngamiland and Chobe. Only boneless beef that has undergone special chilling treatment is allowed for trade in the green (Foot-and-Mouth free) zones of Botswana.



Total number of animals slaughtered for the year was 13,427 animals. This was an improvement of over 100% from 2012. The total animals slaughtered were 5,213 which was less than the forecast of 18,640 animals.



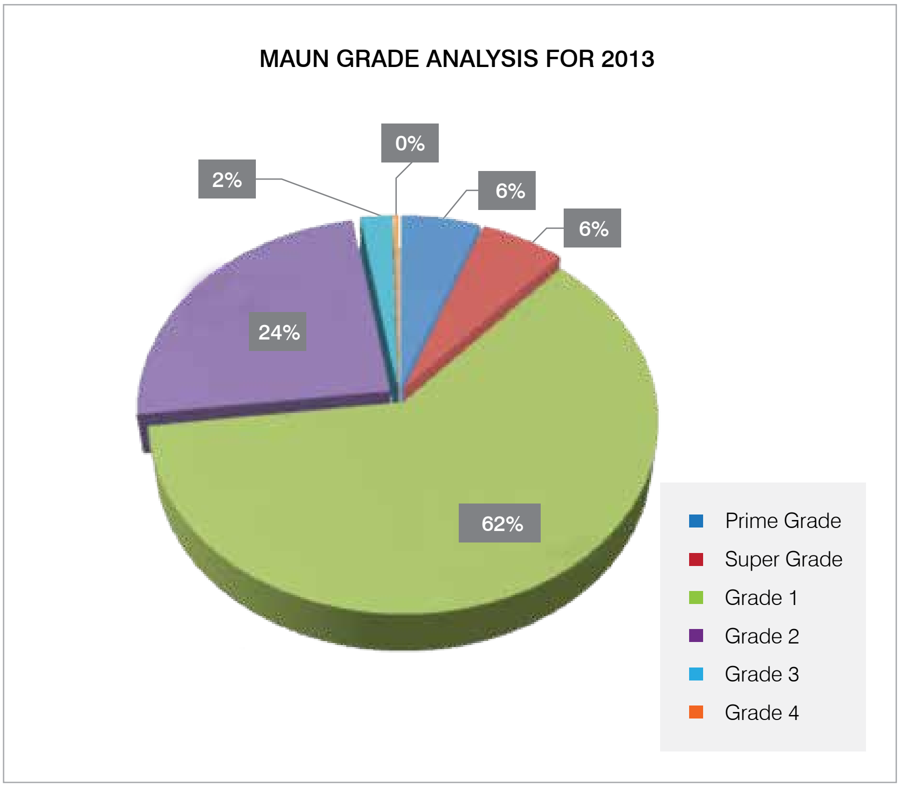
Operations - Maun (Continued)

The average CDM achieved for 2013 was 227kg/head against the budget figure of 250kgs/head. The reason for this Low CDM compared to 2012 (251kg) was because most of the heaveav cattle in area A2d which was the only zone open for slaughter for the two years had already been slaughtered leaving only smaller cattle, which in fact was the strategy to eliminate bigger cattle. The only month which we had higher CDM than target was in February and all the cattle were procured from the Hainaveld farms. From the graph it is also evident cattle we losing condition during the last quarter.

Throughput and grade analysis

In the same year of 2013, the Grades of the Cattle received at BMC were as follows. In the Maun area the numbers were dominated by the Grade 1 and Grade 2 cattle, 62% and 24% respectively. Unlike Lobatse, there are no feedlots to produced prime grade carcasses and cattle were older due to prolonged times when producers did not have a market.

GRADE	SOUND	DETAINED	TOTAL HEAD
Prime Grade	734	27	761
Super Grade	779	27.	806
Grade 1	7,941	375	8,316
Grade 2	3,087	204	3,291
Grade 3	289	19	308
Grade 4	47	2	49
Totals	**12,877**	**654**	**13,531**



Strategic Issues

Ngamiland is still overpopulated with cattle, which assures Maun abattoir of adequate numbers to slaughter. The performance of the plant will further benefit from,

- Finding markets that will improve sales of fresh meat produced at the plant
- Increasing live cattle exports to neighbouring countries,
- Improved control of Foot-and-Mouth disease to improve market access.
- Upgrading the production lines to increase productivity, efficiencies and improve yields.

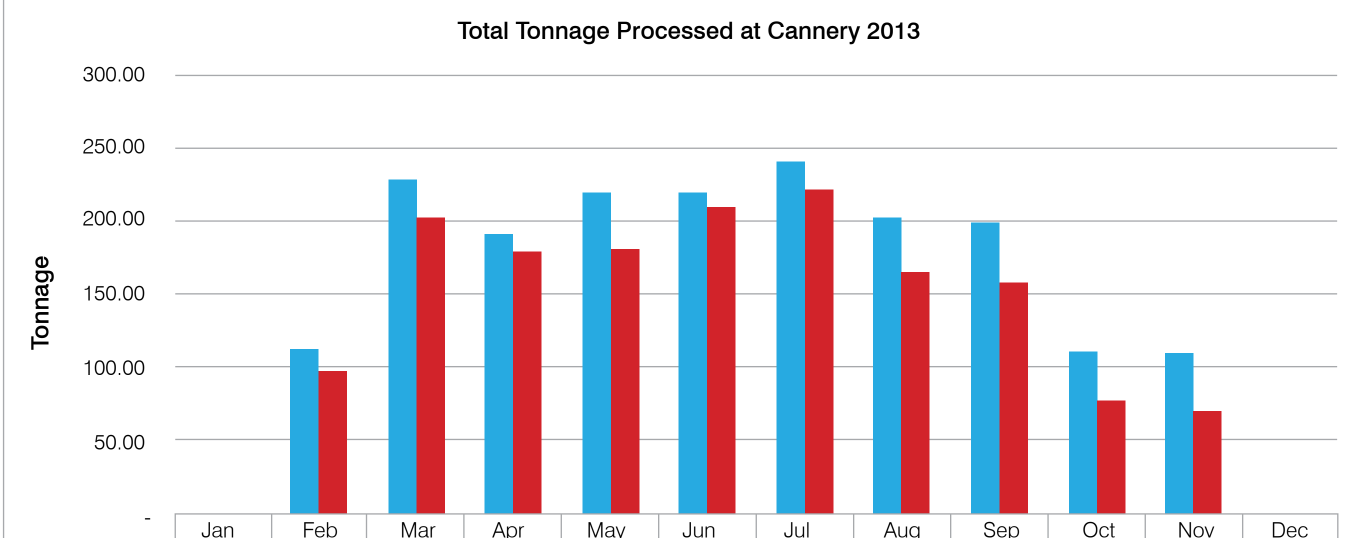
Operations - Cannery



The cannery processed a total of 1,559 tonnes in 2013 which produced a total of 1,098,996 cans. Out of this total, 63% represent stewed steak, 24% corned beef/meat and 13% pet food. The total tonnage of 1,559 tonnes was lower than budget which was 1,833 tonnes.

Product	Quantities (Tonnage Processed)	Quantities (Cans Produced)
Stewed Steak	982.6	559,392
Corned Meat/Beef	373.784	381,852
Pet Food	203.21	157,752

The main product line at Lobatse cannery is for stewed steak. The graph below shows that the actual tonnage was lower than target for all the months. The shortfall was caused by raw material shortages and other challenges associated with productivity from an old plant.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Target	-	112.80	228.40	191.00	219.40	219.40	239.78	201.80	199.00	111.80	110.00	-
Actual	-	97.08	202.60	179.00	180.50	209.47	221.00	165.30	157.56	77.13	69.95	-

In December 2013, due to annual shutdown maintenance works there was no production.

Strategic Issues

Management considers canning and processing as important businesses in the BMC group. Redevelopment of the cannery will both improve the quality of the structure and increase flexibility to add more product lines.

Human Capital

The BMC Human Capital's objective is to transform the organisation to a High Performance Culture.

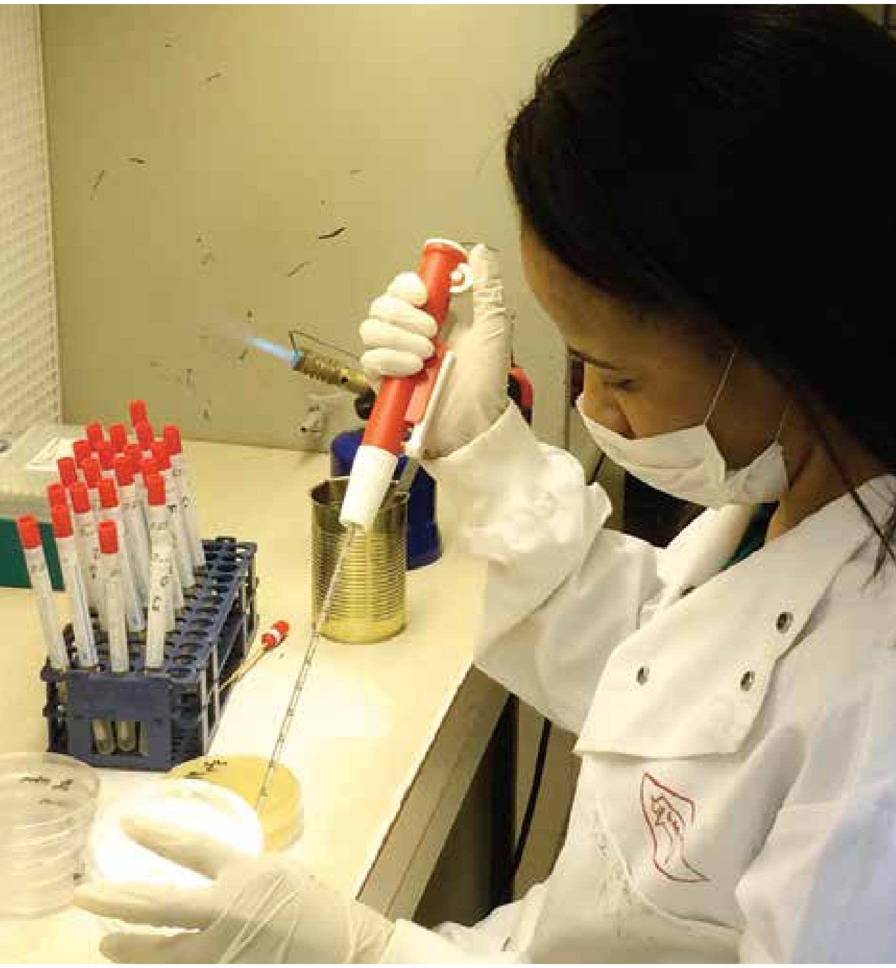
BMC new strategy is to gear the organisation towards the attainment of its goals and tap into unleashed potential. The BMC Human Capital's objective is to transform the organisation to a High Performance Culture. This can only be achieved through Employees who are regarded as the most valuable assets of BMC and strongly supporting them with necessary coaching and training.

During the year the department put more focus on implementation of performance management systems across the commission and this is expected to give results and increase the productivity per employee. Some of the critical issues like absenteeism and sick leaves were addressed by way of continuously engaging the workforce.

BMC continue to support the national Human Resource development programme with number of graduates' / interns were employed in Marketing, IT, Human Capital, Production, Public Relations departments. These young graduates are trained to lead the more pivotal roles in their career.

BMC one of its core value is "Our people" and remains committed to Care For Its People; as our brand is driven by our people. i.e We treat them as an important resource in organisational operations through continuously engaging the Botswana Meat Industries Workers Union (BMIWU) in all essential matters affecting their welfare, Human Capital development, employee benefits, recognition and retention.

Compliance



BMC greatly improved its compliance with quality and food safety management systems and for the first time attained Grade A against British Retail Consortium Global Standard for Food Safety **(Issue 6, 2011)** for Lobatse and Francistown plants.

Compliance to legal, food safety, quality, animal welfare and environmental standards governed by legislation (national and trading partners) and customer requirements were monitored and verified through quality assurance, process control, laboratory services and safety health and environment systems.

BMC greatly improved its compliance with quality and food safety management systems and for the first time attained Grade A against British Retail Consortium Global Standard for Food Safety (Issue 6, 2011) for Lobatse and Francistown plants. Hazard Analysis Critical Control Point (HACCP) certification based on SANS 100330:2007 was maintained for the Lobatse and Francistown plants while the Cannery achieved its first HACCP certification as an independent plant from Lobatse. Business wide certification against ISO 9001:2008 was also maintained.

The company started working towards certification for Management systems based on ISO 14001, OHSAS 18001and ISO 17025:2005 standards for Safety Health and Environment and accreditation of the in-house laboratory respectively.

Marketing, Sales and Distribution

Turnover for the commission increased significantly by 35.5 % from P744 million to P1, 008 billion compared to 2012.

Turnover for the commission increased significantly by 35.5 % from P744 million to P1, 008 billion compared to 2012. The significant increase can be attributed to the increased sales in the European Market, supply of the 1600 tons of the Norway quota as well as increased sales to regional markets such as Angola, Zimbabwe and South Africa. Also the significant increase in prices for the European market and all the other markets played a significant part in the revenue achieved.

South Africa continued to be the main regional market, but only modest increases in trade volume were seen in other regional markets as stated above.

Locally, the BMC supplied the Government of Botswana with Stewed Steak with gravy, for Primary Schools feeding programme. The whole supply amounted to P85 million, which also contributed greatly to the revenue.

The Commission is not constrained in the volume of eligible product to be sold in the various international markets and market segments. Increased returns to the livestock industry remain latent opportunities to be unlocked provided both Foot-and-Mouth Disease control and cattle production practices in Ngamiland and Francistown areas improve. In addition, measles control for all production areas should be improved in order to increase the volume of product eligible for high value global markets.

Group Annual Financial Statements

31 DECEMBER 2013

General Information

31 DECEMBER 2013

THE ORGANISATION

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

COMMISSIONERS

Dr. T. Matsheka	Chairperson
Dr. M.C. Chimbombi	
L. Morakaladi	
T. Modungwa	
J. Maphorisa	
L. Serema	
I. Seloko	Resigned 31/12/2013
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M. Dube	Appointed 01/01/2014

EXECUTIVE MANAGEMENT

Dr. Akolang Tombale	Chief Executive Officer
S. Goteti	Chief Financial Officer
Dr. S. Ghanie	EXCO, Head of Strategy
T.F. Machacha	EXCO, Head of Operations
T. Ntobedzi	EXCO, Head of Human Capital
Dr. Mogome-Maseko	EXCO, Head of Compliance
T.R. Nape	Board Secretary

REGISTERED OFFICE

Plot 621, 1 Khama 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
Banc ABC Limited

Financial Statements Table of Contents

31 DECEMBER 2013

Commissioners’ Responsibility Statement And Approval Of The Annual Financial Statements 31 DECEMBER 2013

COMMISSIONERS’ RESPONSIBILITY STATEMENT

The Commissioners are responsible for the preparation and fair presentation of the annual financial statements of Botswana Meat Commission (“the Group and Commission”), comprising the statements of financial position as at 31 December 2013, and the statements of comprehensive income, changes in reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (“IFRS”) and in the manner required by the Botswana Meat Commission Act (Chapter 74:04) (as amended).

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

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

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

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

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

Although the Group and Commission have reported total comprehensive income of P224 million and P184 million, respectively (2012: total comprehensive loss of P307 million and P304 million, respectively), they are still facing cash flow problems and their liabilities exceed their assets by P202 million and P307 million, respectively (2012: P427 million and P490 million respectively). The going concern of the Group and Commission is dependent on continued Government support and finding alternative markets internationally and regionally. The Government of Botswana has committed to continue offering financial support to the Group and Commission and the Commissioners’ believe that the going concern principle is an appropriate basis for preparation of the annual financial statements.

The external auditors are responsible for independently reviewing and reporting on the Group and Commission’s annual financial statements. The annual financial statements have been examined by the Group and Commission’s external auditors and their modified report is presented on page 4.

Commissioners' Responsibility Statement And Approval Of The Annual Financial Statements (Continued) 31 DECEMBER 2013

DISCLOSURE OF AUDIT INFORMATION

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

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

COMMISSIONERS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 5 to 38, which have been prepared on the going concern basis, were approved by the Board on 26 May 2014 and are signed on its behalf by:

....	....
Commissioner	**Commissioner**

Independent Auditor's Report To The Members Of Botswana Meat Commission

31 DECEMBER 2013

Deloitte.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated and separate annual financial statements of Botswana Meat Commission, which comprise the consolidated and separate statements of financial position as at 31 December 2013, the consolidated and separate statements of comprehensive income, changes in reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 5 to 38.

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), and for such internal control as the Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Botswana Meat Commission as at 31 December 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

EMPHASIS OF MATTER - GOING CONCERN

Without qualifying our opinion, we draw attention to Notes 25 and 26 of the consolidated and separate financial statements, which indicates that although the Group and the Commission reported a total comprehensive income for the year of P224 million (2012: total comprehensive loss of P307 million) and P184 million (2012: total comprehensive loss of P304 million), respectively, the total liabilities of the Group and

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Commission exceed the total assets by P202 million (2012: P427 million) and P307 million (2012: P490 million), respectively. These conditions indicate the existence of a material uncertainty that casts significant doubt on the Group's and Commission's ability to continue as a going concern. The Board of Commissioners believes that the Group and Commission will receive ongoing support from the Government of the Republic of Botswana and that a number of initiatives as disclosed in Note 25 of these consolidated and separate annual financial statements will be successfully implemented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have received all the information and explanations which, to the best of our knowledge and belief were necessary for the performance of our duties as auditors;
- The accounts and related records of the Commission have been properly kept; and
- The Commission has not complied with all the provisions of Part 3 - Financial Provisions relating to the Commission, of the Act with which it is the duty of the Commission to comply. Instances of non-compliance are detailed in Note 26 in the financial statements.

Deloitte & Touche

Deloitte & Touche
Certified Auditors
Practicing Member: C V Ramatlapeng (20020075)

Gaborone
23 July 2014

Statements Of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	Group 2013 P'000	Group Restated 2012 P'000	Commission 2013 P'000	Commission Restated 2012 P'000
REVENUE	1	1,020,579	766,917	1,007,677	743,592
Freight, storage and other selling expenses		(115,681)	(27,667)	(87,223)	(32,874)
Livestock and meat costs	2	(608,714)	(617,381)	(608,714)	(617,381)
		296,184	121,869	311,740	93,337
Fair value gain/(loss) on biological assets	11	1,529	(2,602)	1,529	(2,602)
Fair value gain on revaluation of investment property	9	5,164	-	-	-
Loss on liquidation of investment in associate	10	-	(59)	-	-
Production and administration costs		(320,868)	(359,629)	(325,180)	(322,514)
Other income/(losses)	3	87,292	(12,438)	86,164	(13,055)
OPERATING SURPLUS/(DEFICIT)	4	69,301	(252,859)	74,253	(244,834)
Finance costs	6	(40,755)	(36,182)	(44,615)	(38,513)
Finance income		1,569	2,817	1,510	2,742
SURPLUS/(DEFICIT) BEFORE TAXATION		30,115	(286,224)	31,148	(280,605)
Taxation	7	(4,351)	(37,898)	(3,446)	(37,823)
SURPLUS/(DEFICIT) FOR THE YEAR		25,764	(324,122)	27,702	(318,428)
Other comprehensive income/(loss) *Items that will not be reclassified subsequently to profit or loss:*					
Revaluation of land and buildings	8	271,337	-	229,616	-
Deferred tax on revaluation	17	(4,304)	-	-	-
Net actuarial loss recognised on the defined benefit plan	16	(59,001)	(19,782)	(59,001)	(19,782)
Items that may be reclassified subsequently to profit or loss:					
Unrealised gain on translation of net assets arising on consolidation of foreign entities		4,987	2,706	-	-
Amortised cost adjustment of interest-free government loans	15	(14,343)	34,176	(14,343)	34,176
Total other comprehensive income		198,676	17,100	156,272	14,394
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		224,440	(307,022)	183,974	(304,034)

Statements Of Financial Position

AS AT 31 DECEMBER 2013

		Group			Commission		
			Restated	Restated		Restated	Restated
	NOTES	2013 P'000	2012 P'000	2011 P'000	2013 P'000	2012 P'000	2011 P'000
ASSETS							
Non-current assets							
Property, plant and equipment	8	456,950	174,055	181,902	398,635	156,924	165,378
Investment property	9	6,200	1,065	1,093	-	-	-
Investments	10	10	10	1,337	7,484	7,484	7,484
		463,160	175,130	184,332	406,119	164,408	172,862
Current assets							
Biological assets	11	18,470	13,577	25,940	18,470	13,577	25,940
Inventories	12	144,751	94,779	96,920	144,751	94,779	96,920
Trade and other receivables	13	189,934	96,710	86,125	166,806	86,768	64,352
Taxation receivable	7	1,466	-	-	-	-	-
Amounts due from group companies	20.3	-	-	-	34,110	27,818	15,867
Cash and cash equivalents	14	34,048	36,049	50,913	11,586	18,390	16,516
		388,669	241,115	259,898	375,723	241,332	219,595
Total assets		851,829	416,245	444,230	781,842	405,740	392,457
RESERVES AND LIABILITIES							
RESERVES							
Capital reserves		108,203	104,265	102,226	58,666	58,666	58,666
Loan redemption reserve		135,067	105,067	94,169	135,067	105,067	94,169
Development reserve		2,146	1,866	1,621	2,146	1,866	1,621
Stabilisation reserve		390	390	390	390	390	390
Foreign exchange fluctuation reserve		(499)	(378)	(436)	-	-	-
Foreign exchange stabilisation reserve		16,691	14,796	14,187	-	-	-
Loans revaluation reserve		82,465	96,808	62,632	82,465	96,808	62,632
Asset revaluation reserve		267,033	-	-	229,616	-	-
Actuarial losses reserve		(115,159)	(56,158)	(36,376)	(115,159)	(56,158)	(36,376)
Accumulated deficit		(698,443)	(693,202)	(357,937)	(699,712)	(697,134)	(367,563)
Total deficit		(202,106)	(426,546)	(119,524)	(306,521)	(490,495)	(186,461)
LIABILITIES							
Non-current liabilities							
Borrowings	15.2	551,208	586,792	290,964	551,208	586,792	290,964
Pension fund liability	16	111,342	48,339	28,030	111,342	48,339	28,030
Deferred tax liability	17	5,113	-	-	-	-	-
		667,663	635,131	318,994	662,550	635,131	318,994
Current liabilities							
Taxation payable	7	76,190	72,075	34,629	74,289	70,843	33,019
Trade and other payables	18	82,135	42,708	78,987	65,954	49,529	61,645
Amounts due to group companies	20.4	-	-	-	58,081	47,855	34,161
Borrowings	15.1	227,947	92,877	131,144	227,489	92,877	131,099
		386,272	207,660	244,760	425,813	261,104	259,924
Total liabilities		1,053,935	842,791	563,754	1,088,363	896,235	578,918
Total reserves and liabilities		851,829	416,245	444,230	781,842	405,740	392,457
	check	-	-	-	-	-	-

Statements Of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

		Group		Commission	
			Restated		Restated
	NOTES	2013 P'000	2012 P'000	2013 P'000	2012 P'000
CASH FLOWS USED IN OPERATING ACTIVITIES					
Cash used in operations	21.1	(24,197)	(250,938)	(21,188)	(229,873)
Interest paid		(31,220)	(36,182)	(35,079)	(38,513)
Taxation paid	7	(906)	(451)	-	-
Net cash used in operating activities		(56,323)	(287,571)	(56,267)	(268,386)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(29,408)	(13,442)	(27,196)	(11,646)
Proceeds on disposal of property, plant and equipment	21.2	85	200	-	-
Proceeds on liquidation of associate		-	1,263	-	-
Finance income		1,569	2,817	1,510	2,742
Net cash used in investing activities		(27,754)	(9,162)	(25,686)	(8,904)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Borrowings repaid		(33,738)	(11,473)	(33,738)	(11,523)
Borrowings raised		-	354,000	-	354,000
Effects of changes in foreign exchange rates	21.3	6,469	2,700	-	-
Net cash (used in)/generated from financing activities		(27,269)	345,227	(33,738)	342,477
Net (decrease)/increase in cash and cash equivalents		(111,346)	48,494	(115,691)	65,187
Cash and cash equivalents at beginning of year		(20,606)	(69,100)	(38,265)	(103,452)
Cash and cash equivalents at end of year		(131,952)	(20,606)	(153,956)	(38,265)
Comprising:					
Cash and cash equivalents	14	34,048	36,049	11,586	18,390
Bank overdrafts	15.1	(166,000)	(56,655)	(165,542)	(56,655)
		(131,952)	(20,606)	(153,956)	(38,265)
	check	-	-	-	-

Statements Of Changes In Reserves

FOR THE YEAR ENDED 31 DECEMBER 2013

Group	Total P'000	Capital reserves P'000	Loan 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	Asset revaluation reserve P'000	Actuarial losses reserve	Accumulated deficit P'000
Balance at 1 January 2012 (restated)	(119,524)	102,226	94,169	1,621	390	(436)	14,187	62,632	-	(36,376)	(357,937)
Total comprehensive loss	(307,022)	2,039	-	-	-	58	609	34,176	-	(19,782)	(324,122)
Deficit for the year (restated) (note 28)	(324,122)	-	-	-	-	-	-	-	-	-	(324,122)
Other comprehensive income (restated) (note 28)	17,100	2,039	-	-	-	58	609	34,176	-	(19,782)	-
Appropriations	-	-	10,898	245	-	-	-	-	-	-	(11,143)
Balance at 31 December 2012 (restated)	(426,546)	104,265	105,067	1,866	390	(378)	14,796	96,808	-	(56,158)	(693,202)
Total comprehensive income	224,440	3,938	-	-	-	(121)	1,895	(14,343)	267,033	(59,001)	25,039
Surplus for the year	25,764	-	-	-	-	-	-	-	-	-	25,764
Other comprehensive income	198,676	3,938	-	-	-	(121)	1,895	(14,343)	267,033	(59,001)	(725)
Appropriations	-	-	30,000	280	-	-	-	-	-	-	(30,280)
Balance at 31 December 2013	(202,106)	108,203	135,067	2,146	390	(499)	16,691	82,465	267,033	(115,159)	(698,443)

Statements Of Changes In Reserves (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

Commission	Total P'000	Capital reserves P'000	Loan redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Loans revaluation reserve P'000	Asset revaluation reserve P'000	Actuarial losses reserve	Accumulated deficit P'000
Balance at 1 January 2012 (restated)	(186,461)	58,666	94,169	1,621	390	62,632	-	(36,376)	(367,563)
Total comprehensive loss	(304,034)	-	-	-	-	34,176	-	(19,782)	(318,428)
Deficit for the year (restated) (note 28)	(318,428)	-	-	-	-	-	-	-	(318,428)
Other comprehensive income (restated) (note 28)	14,394		-	-	-	34,176	-	(19,782)	-
Appropriations	-	-	10,898	245	-	-	-	-	(11,143)
Balance at 31 December 2012 (restated)	(490,495)	58,666	105,067	1,866	390	96,808	-	(56,158)	(697,134)
Total comprehensive income	183,974	-	-	-	-	(14,343)	229,616	(59,001)	27,702
Surplus for the year	27,702	-	-	-	-	-	-	-	27,702
Other comprehensive income	156,272	-	-	-	-	(14,343)	229,616	(59,001)	-
Appropriations	-	-	30,000	280	-	-	-	-	(30,280)
Balance at 31 December 2013	(306,521)	58,666	135,067	2,146	390	82,465	229,616	(115,159)	(699,712)

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 (2012: GBP250 000) and US$1 500 000 (2012: US$1 500 000), set aside by certain subsidiaries of the Commission, to be utilised for stabilisation of the impact of foreign exchange fluctuations or for any other purpose which the Commission, with appropriate approval, may determine from time to time.

Loan revaluation reserve
Represents the difference between loans received at rates below the prevailing market rates at inception and the amortised cost of the loans. Over the period of the loans this reserve will unwind through other comprehensive income based on the effective interest rate yield curve.

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

Group Accounting Policies

31 DECEMBER 2013

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and interpretations effective in the current year

The following revised standards and interpretations were adopted for the year ended 31 December 2013:

IAS 1 (revised) - amendments to revise the way other comprehensive income is presented (effective for annual periods beginning on or after 1 July 2012)

IAS 19 (revised) - amended standard resulting from the post-employment benefits and termination benefits project (effective for annual periods beginning on or after 1 January 2013)

IAS 27 - 2011 annual improvements to IFRS (effective for annual periods beginning on or after 1 January 2013)

IAS 28 - 2011 annual improvements to IFRS (effective for annual periods beginning on or after 1 January 2013)

IFRS 7 (revised) - amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013)

IFRS 10 - Consolidated financial statements (effective for annual periods beginning on or after 1 January 2013)

IFRS 11 - Joint arrangements (effective for annual periods beginning on or after 1 January 2013)

IFRS 12 - Disclosure of interests in other entities (effective for annual periods beginning on or after 1 January 2013)

IFRS 13 - Fair value measurement (effective for annual periods beginning on or after 1 January 2013)

The Commission has analysed the effect of the newly adopted standards and have not identified any materail impact on the previously reported figures. The additional disclosures required by the new standards were reflected in the Group financial statements for the year ended 31 December 2013.

Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

New/Revised International Financial Reporting Standards

IFRS 7 (revised) - amendments requiring disclosures about the initial application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015)

IFRS 9 - Financial Instruments - classification and measurement of financial assets (effective for annual periods beginning on or after 1 January 2018)

IFRS 9 - Financial Instruments - accounting for financial liabilities and derecognition (effective for annual periods beginning on or after 1 January 2018)

IAS 32 (revised) - clarification of certain aspects of offsetting financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014)

Amendments resulting from the Annual Improvements 2010-2012 Cycle - Effective 1 July 2014

Management are in the process of assessing the impact of these standards to the Group and Commission's future financial statements.

BASIS OF PREPARATION

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

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

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 profit or loss.

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

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 statement of comprehensive income 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.

Transactions and balances

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

Group companies

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

Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
Income and expenses for each statement of comprehensive income 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 profit or loss 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. Cost is determined on the following basis:

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

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

Consumable stores

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

PROPERTY, PLANT AND EQUIPMENT

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. Land and buildings are carried at a revalued amount, being the fair value at the date of revaluation less subsequent depreciation and impairment. The fair value is determined by an independent valuer and represents the properties' market value at the date of revaluation.

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

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.

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

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

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

INVESTMENT PROPERTY

The investment property, comprising a filling station, warehouse, workshop and ancillary offices owned by a subsidiary of the Commission, is held for long-term rental yields and is not occupied by the Group. The investment property is carried at fair value.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

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 of the lessee. All other leases are classified as operating leases.

The Group and Commission as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group and Commission as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within current borrowings in the statement of financial position.

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 directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale.

Borrowings obtained from the Government of the Republic of Botswana at rates below the prevailing market rates are initially recorded at fair value and subsequently measured at amortised cost, determined based on the effective yield method. Under this method, the amortised cost of the borrowing is measured as the present value of anticipated future cash flows discounted at the market interest rate at inception of the loans. The difference between the borrowing received and the amortised cost is recognised in other comprehensive 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 reporting date.

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 annually using the projected unit credit method.

The balance recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting 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 and changes in the fair value of the plan assets are charged or credited to other comprehensive income in the year of valuation.

Current service costs and interest on the obligation are charged to income as incurred.

BIOLOGICAL ASSETS

Biological assets are measured at cost on initial recognition and at fair value less cost to sell at the end of each reporting period. Changes in the measurement of fair value less cost to sell are included in profit or loss for the period in which they arise. All costs incurred in maintaining the assets are included in profit or loss for the period in which they arise.

Fair values of livestock held for slaughter are determined based on the cost of purchase of the animals, costs of feeding the animals, commission paid to buyers for the cattle and the transportation costs. The commissioners consider this to be a reliable estimate of the fair value of the animals at the reporting date.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and 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 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 interest 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.

RELATED PARTIES

Related parties are defined as those parties that:

(a) directly, or indirectly through one or more intermediaries:

- control, are controlled by, or are under common control with the Commission (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Commission that gives them significant influence over the Commission; or

(b) are members of the key management personnel of the Commission and its subsidiaries including close members of their families.

All dealings with related parties are accordingly included in profit or loss for the year.

TAXATION

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

FINANCIAL INSTRUMENTS

Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group's principal financial assets are 'loans and receivables'.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities and Equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Group's financial liabilities are principally 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

IMPAIRMENT OF ASSETS

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss for the year.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF 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.

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.

Fair value of land and buildings and investment property

The fair value of properties is determined by an independent valuer to be equal to their market value at the date of valuation.

Fair values of biological assets

The Commissioners have estimated that the fair value of the livestock held at year end comprises the following:

- Cost of purchase of the livestock;
- Cost of feeding the animals to the reporting date;
- Commission paid to livestock buyers; and
- Transport costs for moving the livestock to feeding pens.

Impairment of assets

Property, plant and equipment, inventory, investments and financial assets are assessed for impairment at each reporting date. Factors taken into consideration include economic viability of the asset itself. Future cash-flows expected to be generated by the asset are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current asset value and, if lower, the assets are impaired to present value.

Valuation of defined benefit plan

The valuation of the pension fund assets/liabilities involves judgement and is performed by an independent actuarial specialist.

Amortised cost of interest-free loans

The amortised cost is determined based on the expected future cash flows discounted using the market interest rate at commencement of the loans.

Provisions, contingent assets and contingent liabilities

Management performs ongoing analysis of all claims, litigation and other legal and business matters to identify provisions, contingent assets and contingent liabilities in compliance with the requirements of IAS 37 Provisions, contingent liabilities and contingent assets.

Going concern

The Commission's management has made an assessment of the Commission's ability to continue as a going concern. This has been highlighted in note 25.

Notes To The Group Annual Financial Statements

31 DECEMBER 2013

		Group		Commission	
			Restated		Restated
		2013	2012	2013	2012
		P'000	P'000	P'000	P'000
1	**REVENUE**				
	Sale of meat and allied meat products	1,007,677	743,592	1,007,677	743,592
	Other sales - services	12,902	23,325	-	-
		1,020,579	766,917	1,007,677	743,592
2	**LIVESTOCK AND MEAT COSTS**				
	Opening Inventory (note 12)	82,256	81,682	82,256	81,682
	Cattle purchases	655,871	620,557	655,871	620,557
	Less fair value gain/(loss) on biological assets	1,529	(2,602)	1,529	(2,602)
	Closing Inventory (note 12)	(130,942)	(82,256)	(130,942)	(82,256)
		608,714	617,381	608,714	617,381
3	**OTHER INCOME/(LOSS)**				
	Financing of the losses in Francistown abattoir received from the Government of Botswana	71,000	-	71,000	-
	Net exchange gains/(losses)	8,232	(10,848)	5,592	(10,016)
	(Loss)/profit on disposal of property, plant and equipment	(214)	74	-	-
	Sundry income/(loss)	8,274	(1,664)	8,579	(3,279)
	Income from related parties	-	-	993	240
		87,292	(12,438)	86,164	(13,055)
4	**OPERATING SURPLUS/(DEFICIT)**				
	Operating surplus/(deficit) is stated after taking the following into account:				
	Depreciation of property, plant and equipment	16,082	16,359	15,101	15,337
	Impairment of property, plant and equipment	-	4,763	-	4,763
	Loss on liquidation of investment in associate	-	59	-	-
	Fair value gain from revaluation of investment property	(5,164)	-	-	-
	Fair value gain/(loss) from valuation of biological assets	1,529	(2,602)	1,529	(2,602)
	Depreciation of investment property	29	28	-	-
	Auditor's remuneration	2,390	4,817	1,258	3,988
	- current	2,382	3,329	1,250	2,500
	- prior year	8	1,488	8	1,488
	Commissioners				
	- Fees and emoluments	76	127	76	127
	- Expenses	82	251	82	251
	Operating lease payments	1,597	1,512	-	-
	Operating lease income	(831)	(767)	-	-
	Staff costs (note 5)	163,141	183,088	143,855	155,426
5	**STAFF COSTS**				
	Wages and salaries	118,869	123,224	99,659	96,585
	Pension fund costs	10,108	8,498	10,108	8,498
	Staff allowances and other staff costs	34,164	51,366	34,088	50,343
		163,141	183,088	143,855	155,426
6	**FINANCE COSTS**				
	Bank overdraft	19,065	11,725	18,990	11,656
	Long term loans	21,690	24,457	21,690	24,457
	Related parties	-	-	3,935	2,400
		40,755	36,182	44,615	38,513

		Group		Commission	
		2013	2012	2013	2012
		P'000	P'000	P'000	P'000
7	TAXATION				
	Botswana taxation:	40,590	37,898	40,481	37,823
	- current year	1,136	-	-	-
	- deferred tax	(37,035)	-	(37,035)	-
	- prior year tax relief	4,691	37,898	3,446	37,823
	Foreign taxation:	-	-	-	-
	- current taxation	(340)	-	-	-
	- deferred taxation	(340)	-	-	-
	Total taxation	4,351	37,898	3,446	37,823

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. The Minister of Finance and Development Planning has relieved the Commission in respect of the taxation amount for the 2012 financial year at the amount of (P37 035 000) and the 2011 financial year tax relief is still pending.

	Group 2013 P'000	Group 2012 P'000	Commission 2013 P'000	Commission 2012 P'000
Balance payable at beginning of year	72,075	34,628	70,843	33,020
Current tax charge	40,590	37,898	40,481	37,823
Tax paid	(906)	(451)	-	-
Tax relief	(37,035)	-	(37,035)	-
Balance payable at end of year	74,724	72,075	74,289	70,843

Disclosed in the statements of financial position as:

	Group 2013 P'000	Group 2012 P'000	Commission 2013 P'000	Commission 2012 P'000
Taxation payable	76,190	72,075	74,289	70,843
Taxation receivable	(1,466)	-	-	-
	74,724	72,075	74,289	70,843

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Group

	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 2013								
Opening carrying amount	64,380	54	93,517	1,126	1,939	10,811	2,228	174,055
Exchange differences	(1,305)	(5)	12	(364)	418	(226)	1	(1,469)
Revaluation of land and buildings	222,728	-	-	-	-	-	-	222,728
Additions	358	-	2,342	-	897	-	25,811	29,408
Transfers from WIP	3,255	-	14,879	3,704	3,680	2,155	(27,673)	-
Disposals	-	-	(129)	(217)	(169)	-	-	(515)
Depreciation charge	(2,909)	(14)	(9,784)	(1,005)	(614)	(1,756)	-	(16,082)
Depreciation on disposals	-	-	129	-	87	-	-	216
Elimination of depreciation on revaluation	48,609	-	-	-	-	-	-	48,609
Closing carrying amount	**335,116**	**35**	**100,966**	**3,244**	**6,238**	**10,984**	**367**	**456,950**
At 31 December 2013								
Cost/valuation	335,116	4,594	220,341	18,039	13,356	29,610	367	621,423
Accumulated depreciation	-	(4,559)	(119,375)	(14,795)	(7,118)	(18,626)	-	(164,473)
Carrying amount	**335,116**	**35**	**100,966**	**3,244**	**6,238**	**10,984**	**367**	**456,950**
Year ended 31 December 2012								
Opening carrying amount	64,509	50	100,403	1,749	2,163	12,075	953	181,902
Exchange differences	(56)	4	(8)	4	15	-	-	(41)
Additions	985	-	258	880	41	131	11,147	13,442
Transfers from WIP	1,963	-	7,516	-	181	212	(9,872)	-
Disposals	-	-	(139)	-	(21)	(22)	-	(182)
Impairment	-	-	(4,763)	-	-	-	-	(4,763)
Depreciation charge	(3,021)	-	(9,763)	(1,507)	(461)	(1,607)	-	(16,359)
Depreciation on disposals	-	-	13	-	21	22	-	56
Closing carrying amount	**64,380**	**54**	**93,517**	**1,126**	**1,939**	**10,811**	**2,228**	**174,055**
At 31 December 2012								
Cost	110,080	4,599	203,237	14,916	8,530	27,681	2,228	371,271
Accumulated depreciation	(45,700)	(4,545)	(109,720)	(13,790)	(6,591)	(16,870)	-	(197,216)
Carrying amount	**64,380**	**54**	**93,517**	**1,126**	**1,939**	**10,811**	**2,228**	**174,055**

The effect from the revaluation of the Group's land and buildings presented in other comprehensive income comprises the elimination of depreciation on revaluation of P48 609 000 and the revaluation of land and buildings of P222 728 000 disclosed in this note.

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

8.2 Commission

	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 2013								
Opening carrying amount	49,631	3	92,238	502	1,736	10,585	2,229	156,924
Revaluation of land and buildings	185,882	-	-	-	-	-	-	185,882
Additions	-	-	1,135	-	501	-	25,560	27,196
Transfers from WIP	3,255	-	14,879	3,704	3,680	2,155	(27,673)	-
Depreciation charge	(2,909)	-	(8,964)	(962)	(510)	(1,756)	-	(15,101)
Elimination of depreciation on revaluation	43,734	-	-	-	-	-	-	43,734
Closing carrying amount	279,593	3	99,288	3,244	5,407	10,984	116	398,635
At 31 December 2013								
Cost/valuation	279,593	4,548	213,277	16,031	10,744	28,920	116	553,229
Accumulated depreciation	-	(4,545)	(113,989)	(12,787)	(5,337)	(17,936)	-	(154,594)
Carrying amount	279,593	3	99,288	3,244	5,407	10,984	116	398,635
Year ended 31 December 2012								
Opening carrying amount	50,592	3	98,445	1,399	2,040	11,945	954	165,378
Additions	85	-	38	360	14	2	11,147	11,646
Transfers from WIP	1,963	-	7,677	-	20	212	(9,872)	-
Impairment	(4,583)	-	(9,036)	(193)	(236)	-	-	(14,048)
Depreciation charge	(3,009)	-	(9,159)	(1,257)	(338)	(1,574)	-	(15,337)
Depreciation on impaired assets	4,583	-	4,273	193	236	-	-	9,285
Closing carrying amount	49,631	3	92,238	502	1,736	10,585	2,229	156,924
At 31 December 2012								
Cost	90,456	4,548	197,263	12,327	6,563	26,765	2,229	340,151
Accumulated depreciation	(40,825)	(4,545)	(105,025)	(11,825)	(4,827)	(16,180)	-	(183,227)
Carrying amount	49,631	3	92,238	502	1,736	10,585	2,229	156,924

The effect from the revaluation of the Commission's land and buildings presented in other comprehensive income comprises the elimination of depreciation on revaluation of P43 734 000 and the revaluation of land and buildings of P185 882 000 disclosed in this note.

The details of the Group and Commission'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 certain title deeds over the Commission's properties are not available. The fair value of the plots with no title deeds available is P1 300 000 as at 31 December 2013.

Freehold land and buildings of Table Bay Cold Storage (Proprietary) Limited, a 100% subsidiary registered in South Africa, with a carrying amount of P55 522 000 (2012: P13 444 000), are secured against an overdraft facility per note 15 through a registered bond in favour of Standard Bank Botswana Limited.

Fair value measurement of the Group's and Commission's land and buildings

The fair value of the Commission's land and buildings was determined as at 31 December 2013 by Apex Properties Botswana (Proprietary) Limited, an independent valuer with appropriate qualifications and experience in the valuation of the properties in the relevant locations. The fair value was estimated using the depreciable replacement cost method.

The fair value of the land and buildings of Table Bay Cold Storage (Proprietary) Limited as at 31 December 2013 was determined by Unit Property Brokers, independent valuers not related to the Group with appropriate qualifications and experience in the valuation of the properties in the relevant location. The fair value was determined based on a combination of market prices and an income capitalisation model.

All land and buildings have been valued using level 3 inputs. Level 3 inputs are unobservable inputs for the asset.
Had the land and buildings been measured on a historical cost basis, their net book value for the Group would have been P63 894 000 (2012: P64 380 000) and their net book value for the Commission would have been P50 092 000 (2012: P49 631 000).

	Group	
	2013 P'000	2012 P'000
9 INVESTMENT PROPERTY		
Opening carrying amount	1,065	1,093
Fair value gain	5,164	-
Depreciation charge	(29)	(28)
Closing carrying amount	6,200	1,065
Cost	-	1,796
Accumulated depreciation	-	(731)
Net carrying amount	-	1,065
Fair value	6,200	-

The fair value of the investment property was determined as at 31 December 2013 by Apex Properties Botswana (Proprietary) Limited, an independent valuer with appropriate qualifications and experience in the valuation of the properties in the relevant location. The fair value was estimated using the depreciable replacement cost method. The investment property was valued using level 3 inputs. Level 3 inputs are unobservable inputs for the asset.
Had the investment property been measured on a historical cost basis its net book value would have been P1 036 000 at 31 December 2013 (2012: P1 065 000).

		Group		Commission	
	% Equity held	2013 P'000	2012 P'000	2013 P'000	2012 P'000
10 INVESTMENTS					
Subsidiary companies:					
Botswana Meat Commission (UK) Holdings Limited					
Shares at cost	100	-	-	2,866	2,866
Lobatse Leathers (Proprietary) Limited					
Shares at cost	100	-	-	300	300
Botswana Road Services (Proprietary) Limited					
Shares at cost ***	100	-	-	-	-
Botzam (Proprietary) Limited					
Shares at cost ***	100	-	-	-	-
Mainline Carriers (Botswana) (Proprietary) Limited					
Shares at cost	100	-	-	4,308	4,308
		-	-	7,474	7,474

*** The cost of investments in these companies is less than P500.

Notes To The Group Annual Financial Statements (Continued)

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		Group		Commission	
	% Equity held	2013 P'000	2012 P'000	2013 P'000	2012 P'000
10 INVESTMENTS (CONTINUED)					
Associated Companies:					
AMI Investments Limited		-	-	-	-
Shares at cost (USD162 351)	50	-	-	-	-
Balance at beginning of year		-	1,064	-	-
Disposal of investment		-	(1,052)	-	-
Loss on liquidation of investment		-	(59)	-	-
Exchange rate adjustments		-	47	-	-
Debentures in Clifton School at cost		10	10	10	10
		10	10	7,484	7,484

AMI Investment Limited, a company incorporated in Guernsey, is an investment holding company. During the year ended 31 December 2012, the company was liquidated.

11 BIOLOGICAL ASSETS

	Group 2013 P'000	Group 2012 P'000	Commission 2013 P'000	Commission 2012 P'000
Balance at beginning of year	13,577	25,940	13,577	25,940
Purchases	129,391	80,040	129,391	80,040
Slaughters	(124,570)	(88,544)	(124,570)	(88,544)
Deaths and sales to butcheries	(1,457)	(1,257)	(1,457)	(1,257)
Fair value gain/(loss)	1,529	(2,602)	1,529	(2,602)
Balance at end of year	18,470	13,577	18,470	13,577

Biological assets comprise livestock held for slaughter. Cattle livestock is generally kept for periods less than four months before slaughter. The Commissioners believe the carrying amount of the livestock approximates its fair value less costs to sell.

12 INVENTORIES

	Group 2013 P'000	Group 2012 P'000	Commission 2013 P'000	Commission 2012 P'000
Finished goods	131,296	82,256	131,296	82,256
Obsolete inventory allowance - finished goods	(354)	-	(354)	-
Finished goods - net	130,942	82,256	130,942	82,256
Stores	14,604	13,235	14,604	13,235
Obsolete inventory allowance - stores	(795)	(712)	(795)	(712)
Stores - net	13,809	12,523	13,809	12,523
	144,751	94,779	144,751	94,779

		Group		Commission	
		2013	2012	2013	2012
13	TRADE AND OTHER RECEIVABLES	P'000	P'000	P'000	P'000
	Trade receivables	132,740	98,193	111,264	92,391
	Less: Allowance for doubtful debts	(22,552)	(35,560)	(22,240)	(34,921)
	Trade receivables - net	110,188	62,633	89,024	57,470
	Prepayments	10,204	9,889	9,572	9,020
	Value added tax	15,714	6,423	15,002	6,423
	Receivable from the Government of Botswana for financing the losses of the Francistown abattoir	47,000	-	47,000	-
	Other receivables	6,828	17,765	6,208	13,855
		189,934	96,710	166,806	86,768

Movement in the allowance for doubtful debts

Balance at beginning of year	35,560	9,935	34,921	9,935
Current year (reversal)/provision	(12,052)	25,927	(11,725)	25,288
Amounts written off	(956)	(302)	(956)	(302)
Balance at end of year	22,552	35,560	22,240	34,921

In determining the recoverability of a trade receivable, the Group and Commission consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. 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 allowance required in excess of the allowance for doubtful debts recognised in the statement of financial position. There are no significant debtors past the due date that have not been impaired. The average credit period is 65 days (2012: 65 days).

Receivables up to a maximum amount of GBP 5 000 000 are pleadged as a security on the bank financing facility received as disclosed in Note 15.1.

14 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	28,270	35,262	10,748	17,603
Short-term bank deposits	5,778	787	838	787
	34,048	36,049	11,586	18,390

15 BORROWINGS

15.1 Current

Bank overdrafts	166,000	56,655	165,542	56,655
Current portion of Government of the Republic of Botswana loans	24,850	-	24,850	-
Current portion of African Banking Corporation of Botswana Limited (t/a Banc ABC) long term loan	7,660	4,179	7,660	4,179
Current portion of First National Bank of Botswana Limited and Rand Merchant Bank long term loan	29,437	32,043	29,437	32,043
	227,947	92,877	227,489	92,877

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31 DECEMBER 2013

		Group		Commission	
		2013	2012	2013	2012
15	BORROWINGS (CONTINUED)	P'000	P'000	P'000	P'000
	Bank overdrafts comprise:				
	Trade finance	91,157	32,302	91,157	32,302
	Stanbic Bank Botswana Limited	73,721	32,302	73,721	32,302
	Standard Chartered Bank Botswana Limited	17,436	-	17,436	-
	Current account overdraft	74,843	24,353	74,385	24,353
	Standard Chartered Bank Botswana Limited	47,078	20,397	47,078	20,397
	First National Bank of Botswana Limited	27,307	3,956	27,307	3,956
	Standard Bank South Africa Limited	458	-	-	-
		166,000	56,655	165,542	56,655
	Overdraft/trade finance facilities limits				
	Amount utilised	166,000	56,655	165,542	56,655
	Amount available	213,160	302,505	213,618	302,505
	Total facility	379,160	359,160	379,160	359,160

The bank overdrafts and trade finance facilities are denominated in various currencies with limits as follows:

Euro denominated (thousand)	€ 15,000	€ 15,000	€ 15,000	€ 15,000
Botswana pula denominated (thousand)	BWP 160,000	BWP 160,000	BWP 160,000	BWP 160,000
South African Rand denominated (thousand)	ZAR 25,000	ZAR 5,000	ZAR 25,000	ZAR 5,000
British Pound denominated (thousand)	£8,000	£5,000	£8,000	£5,000

The trade finance facility received from Stanbic Bank Botswana Limited bears interest at EURIBOR+3% over a fixed 120-day period. The facility is secured through:

1. Cession of book debts of the borrower;
2. Unrestricted deed of assignment of the borrower's evidence account with Standard Bank London;
3. All marine and debtor insurance policies taken out with Allied Meat Insurance Company Limited underwritten by Lloyds of London for less than Euro 15 000 000;
4. Guarantee and indemnity by the Government of Botswana limited to Euro 15 000 000; and
5. Unrestricted pledge and cession of evidence account held with Standard Bank London.

The trade finance facility received from Standard Chartered Bank Botswana Limited bears interest at 3-month LIBOR+2% for all amounts withdrawn in British Pounds, 3-month EURIBOR+3% for all amounts withdrawn in Euro, JIBAR+2.5% for all amounts withdrawn in South African Rand and prime rate less 1% for all amounts withdrawn in Botswana Pula. The facility is secured through:

1. Cession of receivables of maximum amount of GBP 5 000 000; and
2. Land and buildings of the subsidiary company, Table Bay Cold Storage (Proprietary) Limited, through a registered bond.

		Group		Commission	
		2013	2012	2013	2012
15	BORROWINGS (CONTINUED)	P'000	P'000	P'000	P'000
15.2	Non-current				
	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.	162	162	162	162
	Capital	150	150	150	150
	Interest	12	12	12	12
	Interest free loan repayable in eight equal instalments which commence in August 2014, after a grace period of 3 years.	127,192	130,966	127,192	130,966
	Capital	191,850	191,850	191,850	191,850
	Less short-term portion	(11,850)	-	(11,850)	-
	Amortised cost adjustment - beginning of year	(60,884)	(62,631)	(60,884)	(62,631)
	Amortised cost adjustment for the year	8,076	1,747	8,076	1,747
	Interest free loans repayable in sixteen equal instalments over 8 years, commencing in February 2014, after a grace period of 2 years.	61,376	68,109	61,376	68,109
	Capital	104,000	104,000	104,000	104,000
	Less short-term portion	(13,000)	-	(13,000)	-
	Amortised cost adjustment - beginning of year	(35,891)	-	(35,891)	-
	Amortised cost adjustment for the year	6,267	(35,891)	6,267	(35,891)
The loan is payable semi-annually over a period of 8 years commencing on 15 June 2016 and attracts interest at the rate of 9.5% per annum. The Commission negotiated a 4 year grace period from date of first draw down - 15 June 2012. The interest is capitalised and attracts interest at the same rate as the principal amount.		271,037	259,962	271,037	259,962
	Total Government of Botswana Loans	459,767	459,199	459,767	459,199
African Banking Corporation of Botswana Limited t/a Banc ABC - the loan has a moratorium for 7 months ending 31 March 2011. The repayments thereafter are over a 10 year period at an interest rate of prime, less 2.75%. The loan is secured by a guarantee from the Government of the Republic of Botswana.		31,061	39,447	31,061	39,447
First National Bank Botswana Limited and Rand Merchant Bank - the loan is payable semi-annually over a 5 year period commencing on 21 September 2012 and attracts interest at 2.75% above the 3-month BOBC rate. Interest reset dates are semi-annually. The loan is secured by a guarantee from the Government of the Republic of Botswana.		60,380	88,146	60,380	88,146
Total non-current borrowings		551,208	586,792	551,208	586,792
Total current borrowings (Note 15.1)		227,947	92,877	227,489	92,877
Total borrowings		779,155	679,669	778,697	679,669
Maturity of borrowings (including future interest payments)					
Up to 1 year		324,907	191,495	324,449	134,840
Between 2 and 5 years		399,143	359,764	399,143	359,764
Over 5 years		477,604	584,735	477,604	584,735
		1,201,654	1,135,994	1,201,196	1,079,339

16 PENSION FUND LIABILITY

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

In accordance with statutory requirements, independent actuaries value the Fund at the end of each financial year. 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 was performed at 31 December 2013 by AON Hewitt South Africa. The information for the comparative periods has been restated as disclosed in Note 28. The results of the valuation and subsequent measurements are as follows:

	Group and Commission		
	2013 P'000	**Restated 2012 P'000**	**Restated 2011 P'000**
Present value of defined benefit obligation	(289,029)	(191,861)	(150,386)
Fair value of plan assets	177,687	143,522	122,356
Deficit	(111,342)	(48,339)	(28,030)
The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plan is as follows:			
Present value of defined benefit obligation	289,029	191,861	150,386
Fair value of plan assets	(177,687)	(143,522)	(122,356)
Net liability arising from defined benefit obligation	111,342	48,339	28,030
Amounts recognised in profit or loss in respect of the defined benefit plan are as follows:			
Current service cost	6,696	5,612	4,915
Interest on obligation	13,545	15,892	11,792
Interest income on plan assets	(10,133)	(13,006)	(10,017)
	10,108	8,498	6,690
Amounts recognised in other comprehensive income in respect of the defined benefit plan are as follows:			
Net actuarial loss recognised in the year	59,001	19,782	11,065
	59,001	19,782	11,065
Movements in the present value of the defined benefit obligations in the current period were as follows:			
Opening defined benefit obligation	191,861	150,386	138,312
Interest cost	13,545	15,892	11,792
Current service cost	6,696	5,612	4,915
Benefits paid	(10,434)	(10,440)	(7,352)
Actuarial losses	87,361	30,411	2,719
Closing defined benefit obligation	289,029	191,861	150,386

			Group and Commission	
16	**PENSION FUND LIABILITY (CONTINUED)**		**Restated**	**Restated**
		2013	**2012**	**2011**
		P'000	**P'000**	**P'000**
	Movement in the present value of the plan assets in the current period were as follows:			
	Opening fair value of plan assets	143,522	122,356	112,435
	Expected return on plan assets	10,133	13,006	10,017
	Contributions	6,106	7,971	15,602
	Benefits paid	(10,434)	(10,440)	(7,352)
	Actuarial gains	28,360	10,629	(8,346)
	Closing fair value of plan assets	177,687	143,522	122,356
	The principal actuarial assumptions used were:			
	- Inflation rate	5.40%	4.06%	5.50%
	- Expected rate of remuneration growth	5.90%	5.06%	6.00%
	- Discount rate	6.30%	7.06%	8.50%
	- Expected pension increases	4.90%	3.65%	5.00%

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

	Fair value of plan assets		
		Restated	**Restated**
	2013	**2012**	**2011**
	P'000	**P'000**	**P'000**
Equity	127,812	123,429	105,226
Bonds	20,111	4,880	4,160
Property	12,825	3,445	2,937
Cash	15,440	11,769	10,033
Other	1,499	-	-
	177,687	143,522	122,356

		Group		Commission	
		2013	**2012**	**2013**	**2012**
17	**DEFERRED TAXATION**	**P'000**	**P'000**	**P'000**	**P'000**
	Balance at beginning of year	-	(103)	-	-
	Exchange differences	13	103	-	-
	Income statement charge (note 7)	796	-	-	-
	Charge to other comprehensive income	4,304	-	-	-
	Balance at end of year	5,113	-	-	-
18	**TRADE AND OTHER PAYABLES**				
	Trade payables	41,567	4,829	29,307	13,741
	Accrued expenses	13,170	13,548	10,065	12,018
	Payroll accruals	19,975	18,621	19,532	18,060
	Other payables	7,423	5,710	7,050	5,710
		82,135	42,708	65,954	49,529

The average credit period for trade payables is 30 days (2012:30 days). No interest is charged on the trade payables. The Group and Commission have financial risk management policies in place to ensure that all payables are paid within a reasonable time of the agreed credit terms.

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19 FINANCIAL INSTRUMENTS

The Commission and Group manage their capital to ensure that they continue 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	
	2013	**2012**	**2013**	**2012**
19.1 Capital risk management	**P'000**	**P'000**	**P'000**	**P'000**
Debt (note 15)	779,155	679,669	778,697	679,669
Cash and cash equivalents (note 14)	(34,048)	(36,049)	(11,586)	(18,390)
Net debt (i)	745,107	643,620	767,111	661,279
Equity (ii)	(202,106)	(426,546)	(306,521)	(490,495)
Net debt to equity ratio	-369%	-151%	-250%	-135%

- Debt is defined as borrowings, as disclosed in note 15.
- Equity comprises reserves and capital contributions as disclosed in the statement of changes in reserves.

19.2 Categories of financial instruments

	Group 2013	Group 2012	Commission 2013	Commission 2012
Financial assets				
Loans and receivables at amortised cost	198,064	116,447	187,928	117,533
Financial liabilities				
Other liabilities at amortised cost	841,315	703,756	883,200	758,993
Finance costs				
Financial liabilities at amortised cost	40,755	36,182	44,615	38,513
Finance income				
Loans and receivables	1,569	2,817	1,510	2,742

The Commissioners consider that the carrying values of the financial instruments reported in the statement of financial position approximate their fair values.

		Group		Commission	
		2013	2012	2013	2012
19	FINANCIAL INSTRUMENTS (CONTINUED)	P'000	P'000	P'000	P'000

19.3 Foreign currency risk management

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

	Group 2013 P'000	Group 2012 P'000	Commission 2013 P'000	Commission 2012 P'000
South African Rand trade payables	8,858	3,567	8,858	3,567
United States Dollar trade payables	1,133	-	1,133	-
Great Britain Pound payables (related parties)	-	-	19,247	15,289
United States Dollar payables (related parties)	-	-	27,988	22,922
	9,991	3,567	57,226	41,778
South African Rand trade receivables	35,529	35,135	35,529	35,135
British Pound trade receivables	38,892	932	38,892	932
British Pound receivables (related parties)	-	-	26,325	13,287
Euro receivables (related parties)	-	-	1,430	14,522
South African Rand receivables (related parties)	-	-	6,355	-
	74,421	36,067	108,531	63,876
Net Assets of Table Bay Cold Storage South Africa (ZAR)	49,951	15,648	-	-
Net Assets of Botswana Meat Commission Guernsey (GBP)	24,845	20,791	-	-
Net Assets Of Botswana Meat Commission United Kingdom (GBP)	1,834	12,563	-	-
Net Assets of Allied Meat Investments Cayman Islands (GBP)	72,649	70,990	-	-
	149,279	119,992	-	-

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase or decrease in Botswana Pula rate against the currencies the Group is exposed to 5% is the most likely change in exchange rates as assessed by the Commission's management. A positive number below indicates 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.

	Group 2013 P'000	Group 2012 P'000	Commission 2013 P'000	Commission 2012 P'000
Profit or loss	3,222	1,625	2,565	1,105
Equity	7,464	6,000	-	-

		Group		Commission	
		2013	2012	2013	2012
19	FINANCIAL INSTRUMENTS (CONTINUED)	P'000	P'000	P'000	P'000

19.4 Interest rate risk

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

Profit or loss	2,945	2,205	2,941	2,205

19.5 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. There are no significant debtors that are past due that have not been included in the allowance for doubtful debts.

The gross maximum exposure to credit risk is as follows:

Bank balances	34,048	36,049	11,586	18,390
Trade receivables	110,188	62,633	89,024	57,470
Receivables from the Government of Botswana	47,000	-	47,000	-
Other receivables	6,828	17,765	6,208	13,855
	198,064	116,447	153,818	89,715

19.6 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 cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 15 are the details of the overdraft facility that the Group has at its disposal to further reduce liquidity risk. The Government of Botswana provides funding to the Group and Commission when the need arises.

The expected undiscounted cash outflows related to borrowings received are disclosed in note 15.2. The rest of the Group's financial liabilities are short term and expected to be settled at their book value within the next financial year.

		Commission	
		2013	2012
20	RELATED PARTY TRANSACTIONS	P'000	P'000

The related parties of the Commission are the Government of Botswana, its subsidiaries as disclosed in Note 10 and the Commissioners and senior management.
The following related party transactions were entered into:

20.1 Services charges

Management fees - Botswana Meat Commission (UK) Holdings Limited	(2,621)	(1,516)
Storage expenses - Table Bay Cold Storage (Proprietary) Limited	(4,563)	(4,794)
Management fees - Table Bay Cold Storage (Proprietary) Limited	(2,289)	(2,045)
Insurance charge - Allied Meat Insurance Company Limited	(1,276)	(860)
Management fees - Mainline Carriers Botswana (Proprietary) Limited	240	240
	(10,509)	(8,975) -

		Commission	
		2013	2012
20	RELATED PARTY TRANSACTIONS (CONTINUED)	P'000	P'000
20.2	Interest paid		
	Allied Meat Insurance Company Limited, Cayman Islands	(2,780)	(2,400)
	BMC UK Holdings Limited	(1,155)	-
		(3,935)	(2,400)
20.3	Amounts due from group companies		
	Botswana Meat Commission (UK) Holdings Limited	26,325	13,287
	Table Bay Cold Storage (Proprietary) Limited	6,355	-
	BMC GmBH Germany	1,430	14,522
	Lobatse Leathers (Proprietary) Limited	-	9
		34,110	27,818
20.4	Amounts due to group companies		
	BMC Meat Importers Limited, Guernsey	12,362	10,264
	Allied Meat Insurance Company Limited, Cayman Islands	27,988	22,922
	BMC UK Holdings Limited	6,885	5,025
	BMC Meat Importers and Exporters	610	4,125
	Table Bay Cold Storage (Proprietary) Limited	5,054	1,312
	Mainline Carriers (Proprietary) Limited	5,021	4,046
	Lobatse Leathers (Proprietary) Limited	161	161
		58,081	47,855
20.5	Related party balances included in receivables		
	Government of the Republic of Botswana	48,694	20,944
	Refer to note 15 for loans and guarantees from the Government of Botswana.		
	Transactions related to board members		
	Producer payments	706	283
	Remuneration of key management personnel		
	Short term benefits	5,324	6,146

		Group		Commission	
21	NOTES TO THE STATEMENTS OF CASH FLOWS	2012	Restated 2011 P'000	2012 P'000	Restated 2011 P'000
21.1	Cash used in operations				
	Operating surplus/(deficit)	69,301	(252,859)	74,253	(244,834)
	Adjustments for:				
	Depreciation of property, plant and equipment	16,082	16,359	15,101	15,337
	Depreciation of investment property	29	28	-	-
	Impairment of property, plant and equipment	-	4,763	-	4,763
	Fair value adjustment for biological assets	(1,529)	2,602	(1,529)	2,602
	Fair value adjustment for investment property	(5,164)	-	-	-
	Loss/(profit) on disposal of property, plant and equipment	214	(74)	-	-
	Impairment of investment in associate	-	59	-	-
	Pension fund obligation expense	10,108	8,498	10,108	8,498
		89,041	(220,624)	97,933	(213,634)
	Movements in working capital				
	(Increase)/decrease in biological assets	(3,364)	9,761	(3,364)	9,761
	(Increase)/decrease in inventories	(49,972)	2,141	(49,972)	2,141
	Increase in amounts due from group companies	-	-	(6,292)	(11,951)
	Increase in trade and other receivables	(93,224)	(10,585)	(80,038)	(22,416)
	Contribution to pension fund	(6,106)	(7,971)	(6,106)	(7,971)
	Increase/(decrease) in trade and other payables	39,427	(23,660)	16,425	503
	Increase in amounts due to group companies	-	-	10,226	13,694
		(113,238)	(30,314)	(119,121)	(16,239)
	Cash used in operations	(24,197)	(250,938)	(21,188)	(229,873)

		Group		Commission	
			Restated		Restated
		2012	2011	2012	2011
			P'000	P'000	P'000
21	**NOTES TO THE CASH FLOW STATEMENT (CONTINUED)**				
21.2	**Proceeds on disposal of property, plant and equipment**				
	Cost	515	182	-	-
	Accumulated depreciation	(216)	(56)	-	-
	Net carrying amount	299	126	-	-
	(Loss)/profit on disposal of property, plant and equipment	(214)	74	-	-
	Proceeds on disposal	85	200	-	-
21.3	**Effects of changes in foreign exchange rates**				
	Property, plant and equipment	1,469	41	-	-
	Reserves	4,987	2,706	-	-
	Deferred tax	13	-	-	-
	Investments	-	(47)		
		6,469	2,700	-	-
22	**CONTINGENT LIABILITIES AND ASSETS**				
22.1	**Contingent liabilities**				
	Claims instituted by Feedmaster Botswana for damages and interest at the rate of 10% per annum for alleged breach of Commission's obligations	18,007	16,370	18,007	16,370
	Bond of surety covering outstanding liabilities under the BMC Staff Motor Vehicle Advance scheme	1,346	1,346	1,346	1,346
	Guarantees in respect of home loan advances	5,085	5,085	5,085	5,085
	Guarantee facility from Standard Chartered Bank Botswana Limited	10,000	10,000	10,000	10,000
	Guarantee by Standard Chartered Bank of Botswana Limited in favour of Standard Chartered Bank London	37,060	37,060	37,060	37,060
	Customs and excise guarantee in South Aftica	418	418	-	-
	Guarantee to South African Revenue Services	1,261	1,261	-	-
		73,177	71,540	71,498	69,861
22.2	**Contingent assets**				
	Tax relief for 2011 and 2013 financial years	74,289	70,843	74,289	70,843
	Refund by Government of losses incured by Francistown abattoir	6,047	71,000	6,047	71,000
	Counter claim by BMC on the Feedmaster Botswana case	18,007	16,370	18,007	16,370
		98,343	158,213	98,343	158,213

The Commission has not yet finalised the process of obtaining title deed for the Golf Course property and cannot reasonably estimate the value of the asset that will be recognised in the Statement of financial position once the title deed is obtained.

23	**COMMITMENTS**				
23.1	**Future capital expenditure**				
	Authorised but not yet contracted for	14,255	10,997	12,000	7,933

The Group and Commission will fund the capital expenditure from internally generated funds.

23.2	**Operating lease commitments**				
	Future minmum lease payments:				
	Not later than one year	653	671	-	-
	Between one and five years	1,406	2,027	-	-
		2,059	2,698	-	-

24 EVENTS AFTER THE REPORTING DATE

There are no material events that occurred after financial year end that require additional disclosure in the annual financial statements.

25 GOING CONCERN

The ability of the Group and Commission to continue as a going concern is dependent on a number of factors. The most significant of these is the commitment by the Government of Botswana to continued its financial support to the Commission in the form of tax remissions and guarantees for external borrowings. The Commission's going concern is also dependent on obtaining trade facilities and commercial loans from financial institutions.

The following initiatives have been undertaken by the Commission in order to improve its financial performance:

- cost cutting initatives;
- establishment of regional markets; and
- increasing supply into the European Union market.

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

The Commission reported a total comprehensive income of P184 million for 2013 financial year (2012: loss of P304 million) and its liabilities exceeded its assets by P307 million (2012: P490 million). Section 17 of the Botswana Meat Commission Act stipulates that it is the duty of the Commission so to exercise its functions and conduct its business as to ensure, taking one year with another, that its revenues are sufficient to enable the Commission to meet the outgoings of the Commission properly chargeable to the revenue account in terms of Section 14 of the Act. The Commission has not complied with the Act in this regard.

27 CHANGE IN ACCOUNTING POLICIES

During the current year the Group and Commission adopted the revaluation model for its land and buildings and the fair value model for its investment property. Previously the historical cost model was adopted both for land and buildings and for the investment property. Refer to note 8 for the revaluation surplus that was recognised as a result of the revaluation of land and buildings and to note 9 for the fair value gain as a result of the revaluation of the investment property. The effects of the change in accounting policy are disclosed in notes 8 and 9.

28 RESTATEMENT OF PREVIOUSLY REPORTED FIGURES

In the current year the Commission identified a change in the requirements of IAS 19 Employee Benefits. In 2012 and the previous financial years all current service costs, interest on obligations, expected return on plan assets, and actuarial gains and losses arising from the defined benefit plan were recognised in the respective year's profit or loss while in the year the actuarial gains and losses and the difference between the expected return on plan assets and the interest income on plan assets were required to be classified as part of other comprehensive income.

Furthermore, as the corridor approach is no longer allowed by IAS 19 Employee Benefits, the total amount of the pension liability was recognised in the statements of financial position as at 31 December 2011, 31 December 2012 and 31 December 2013.

28 RESTATEMENT OF PREVIOUSLY REPORTED FIGURES (CONTINUED)

Effect of the restatement on the previously reported figures

	Group		Commission	
	2012	**2011**	**2012**	**2011**
Net (asset)/liability arising from defined benefit obligation	**P'000**	**P'000**	**P'000**	**P'000**
Net asset arising from defined benefit obligation (as previously reported)	(4,164)	(8,346)	(4,164)	(8,346)
Restatement 2011	36,376	36,376	36,376	36,376
Restatement 2012	16,127	-	16,127	-
Restated net liability arising from defined benefit obligation	48,339	28,030	48,339	28,030
Deficit and other comprehensive income/(loss)				
Deficit for the year (as previously reported)	(327,777)	(230,903)	(322,083)	(218,841)
Restatement of the defined benefit obligation	(16,127)	(36,376)	(16,127)	(36,376)
Movement of the defined benefit obligation presented in other comprehensive income	19,782	11,065	19,782	11,065
Restated deficit for the year	(324,122)	(256,214)	(318,428)	(244,152)
Other comprehensive income/(loss) for the year (as previously reported)	36,882	(2,583)	34,176	(9,583)
Movement of the defined benefit obligation presented in other comprehensive income	(19,782)	(11,065)	(19,782)	(11,065)
Restated other comprehensive income/(loss) for the year	17,100	(13,648)	14,394	(20,648)

Notes

Notes

Meat Perfection Defined

DEZYN STREET/**14/06**

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