



BAMB

BOTSWANA AGRICULTURAL
MARKETING BOARD

Annual Report & Financial Accounts 2014

Feeding the Nation since 1974





Contents



Company Profile	02
The New Logo	06
Brand Reveal	08
Chef's Competition	10
Board Members	12
Management	14
Board Chairperson's Report	16
CEO's Report	18
Independent Auditor's Report	31
Statement of Comprehensive Income	32
Statement of Financial Position	33
Statement of Changes in Equity	34
Statement of Cash Flows	35
Summary of Significant Accounting Policies	36
Notes of the Annual Financial Statements	58

This Annual Report, together with trading statements, presentations and previous Annual Reports is available at www.bamb.co.bw

Company Profile

OUR MANDATE

The Botswana Agricultural Marketing Board (BAMB) was established by an Act of Parliament, No. 2 of 1974 mandated to provide a market for locally grown scheduled crops such as cereals, pulses/beans and oilseeds, and ensure that adequate supplies exist for sale to customers at affordable prices.

POWERS OF BAMB - CONFERRED BY THE ACT

- Set prices for purchase or sale of produce
- Import or export any scheduled produce
- Arrange for transport, storage, processing and sale of scheduled produce
- Enter into any transaction which, in the Board's opinion, will facilitate proper discharge of its functions.

THE ACT ALSO REQUIRES BAMB

To cover its operating costs from revenue generated from its trading activities
Establish a Stabilization Fund through a Parliamentary appropriation – primarily to stabilize prices.

OUR VISION

To lead, to empower and grow the market for grain.

OUR MISSION

To provide stable grain market that is efficient and fair, in support of national food security

VALUES

- **Innovation:** we strive to become an innovation and forward thinking hub in the provision of agricultural services
- **Integrity:** we uphold the highest professional standards with integrity and accountability
- **Team-work:** we will work together to achieve a common goal
- **Efficiency:** we will strive to become a centre of excellence by working more efficiently in a productive manner





The New Logo

DAWN OF A NEW ERA

THE NEW BAMB LOGO

AND WHAT IT MEANS

The development of any brand will always be an emotional exercise. Brands are a reflection of true insights and will drive either negative or positive emotions depending on one's interaction with that particular brand.

A logo serves as a window or door to any brand, however, being the top of mind or first interaction mark with brands it is important that a logo or mark tells a story or stories from a mere glance.

These stories or story of the brand is not an off the head thought but a series of thoughts made up of individuals, experience, sights, smells and sounds of an organisation. It is expected for each component to want to see itself of be incorporated into this single work and this by no means an easy task.



Brand Reveal

In what has been dubbed a remarkable journey aimed at re-positioning, Botswana Agricultural Marketing Board unveiled its strategic brand - the first landmark project since being established 40 years ago.

The auspicious occasion themes "The dawn of a new era" saw the Marketing Board reaffirm its commitment to food security and nurturing strategic partnership with the agricultural sector.

A new website for the organization was also revealed at the occasion. The website is expected to be more interactive and more informative.

The rebranding exercise was motivated by the following reasons:

- Competitive environment which we operate in now which did not exist in 1974
- We have a new drive to get into retail
- We must be seen as an organisation that is evolving taking into consideration the environment we operate in now
- To reposition the company and asset its place in the corporate environment
- To keep customers thinking about the new brand promise

In line with the 2014 – 2019 strategic plan for Botswana Agricultural Marketing Board, this new brand will an insight to our commitment of promise that we at BAMB hold dear to our spirits that we will ensure that we provide a stable grain market that is equitable and fair, in support of national food security."



Chef's Competition

Botswana Agricultural Marketing Board hosted the first ever battle of the Chef's competition on the 14th August 2014 at Culinaria School of Cooking in Gaborone under the theme “ **Dijo TsaRona Food Show**”.

The competition saw eleven (11) chefs from different hotels and restaurants in and around Gaborone showcasing their unique talents and skills on preparing traditional cuisine using BAMB marketed grains.

The competition was judged by three industry chefs and one celebrity judge followed by tasting of the savoury dishes by invited guests when the winners were announced. The top three (3) Chefs will have their dishes featured in the upcoming BAMB recipe book.

This event was just another initiative to ensure BAMB marketed grains are incorporated in the various business operations through the chefs culminated into increased sales in the long run.

DIJO TSA RONA FOOD SHOW

In the same spirit of celebrating 40 years of 'Feeding the nation', BAMB for the first time hosted a food show themed “DijoTsaRona Food Show”. This trendsetting occasion was billed for the 23rd August 2014 at Botswana Craft. It was set to bring a whole new dimension in the promotion of locally produced scheduled crops cooked with a modern flair.

The fun filled activities of the day ranged from food tasting of various recipes by BAMB, live entertainment by both local and international artists as well as showcasing by key stakeholders who exhibited their products and services supporting this ground breaking event. This event left a long lasting impression on the marketed grains BAMB sells.



The Board

A board of directors is a body of elected or appointed members who jointly oversee the activities of a company or organization. Other names include board of governors, board of managers, board of regents, board of trustees, and board of visitors.

1. DAVID TIBE - BOARD CHAIRPERSON

Tibe, an Economist by profession is the Assistant Representative of the Food and Agricultural Organisation of the United Nations. He has served as a Consultant, Productivity and Quality at the BNPC, Senior Agric Economist (Policy Analysis and Management) at the Ministry of Agriculture and Planning Officer at the same Ministry.

He holds a Diploma in Education from the University of Swaziland, BSC-Agric from the University of Botswana and an MA in Economics from the University of Manchester.

2. KABELO BINNS - DEPUTY BOARD CHAIRPERSON

Kabelo is the owner and Managing Director of Hotwire PRC and Wired Y&R, a Public Relations and Marketing Services company. He worked for Debswana from 2000 as a Communications Officer in Orapa and rose through the ranks, until he became Group Public Affairs Manager in 2004 to 2006. He was the Corporate Social Investment Manager at the time he left the company.

Kabelo has a Bachelor of Arts Degree with Honours, Public Relations with Information Technology from the University of Exeter, United Kingdom and holds professional qualifications such as Chartered Member of the Institute of Public Relations (CIPR-UK) and Chartered Public Relations Practitioner (PRISA- Southern Africa).

3. SHABOYO MOTSAMAI

Shaboyo is the proprietor of Motsamai Attorneys and she has 23years of continuous practice, three of which were spent as a Prosecutor practising criminal law at the Attorney General's Chambers. She has been in private practice for the past 20years.

She has an LLB from the University of Botswana and has a professional training in International Development Law. She is a member of the Law Society of Botswana and has served in the law reform Committee of the Law Society and in the Dispute Resolution Committee of the Independent Electoral Commission.

4. THEMBISILE PHUTHEGO

Thembisile is the Managing Director of Wall Street Investment, a company that provides financial advice, mentoring and financial management services to small, macro and medium enterprises. She has previously worked for Barclays Bank for a period of 25years.

During this period she served in various management positions such as Retail Director, Sales and Marketing Director and Acting Managing Director. She holds a Diploma in Management Studies from Buckinghamshire, UK, Associate Diploma in Banking, BA Administration from the University of Botswana and a Masters of Business Administration from Buckinghamshire Chilterns, UK.

5. OEMETSE NKOANE

Oemetse is currently Deputy Permanent Secretary, Corporate Services, Ministry of Agriculture. She has been in the position since 2012. She has a long spanning career in the civil service having held positions of Education Officer, HIV/AIDS Coordinator and Deputy Director, Ministry Management. She has been senior Manager, Corporate services at the Ministry of Agriculture and Ministry of Education respectively where she provided strategic leadership in coordination and management of a range of resources (human, fleet, assets, information and performance among other things.)

She holds a Bachelor of Arts Degree in Humanities from the university Botswana and Master of Education from University of Massachusetts Amherst USA.

6. JACOB VAN DER WESTHUIZEN

Jacob is one of the Pandamatenga farmers. Having ventured into Farming in 2002, he farms mainly on sorghum, millet and beans. He cultivates a total of 1000ha annually, a third of which are legume crops and the rest cereals.

These are supplied to BAMB, SMU, and Savannah Seeds. The farm also carries small stock and cattle. He has a Bcom Agricultural Economics from the University of Pretoria.

7. RUTH MAPHATHI

Ruth is the Head of Strategy and Governance at the BotswanaPost where she is responsible for strategic management, governance and coordination of the Botswana Savings Bank/ BotswanaPost merger activities within BotswanaPost and representation at Ministry Task Force level.

She has previously been at the helm of BotswanaPost as Acting Director General for a period of 12months. She has served as a Board Secretary for a substantial part of her career. Mphathi has also served in the Boards of the National Development Bank and Botswana Savings Bank. She holds a Bachelor of Commerce from the University of Botswana and a Masters Degree- Professional Accounting from the University of Washington.

8. MOLEFI KEAJA

Molefi is currently the Deputy Permanent Secretary- Governance in the Ministry of Local Government, a position he has held since 2009. He is responsible for overseeing departments of Local Government Development Planning, Local Government Finance and Procurement Services as well as department of Tribal Administration.

He has previously served as Council Secretary, Deputy Clerk and Principal Economist. Molefi holds a Bachelor of Economics and Demography from the University of Botswana and an MSC Planning in Developing Countries from the London School of Economics.



The Management

Senior management, executive management, or management team is generally a team of individuals at the highest level of organizational management who have the day-to-day responsibilities of managing a company or corporation. They hold specific executive powers conferred onto them with and by authority of the board of directors and/or the shareholders. There are most often higher levels of responsibility, such as a board of directors and those who own the company (shareholders), but they focus on managing the senior or executive management instead of the day-to-day activities of the business. The executive management typically consists of the heads of the firm's product and/or geographic units and of functional executives such as the chief financial officer, the chief operating officer, and the chief strategy officer. In Project Management, senior management is responsible for authorising the funding of projects.



Elvis Ncaagae
Chief Executive Officer



Shirley Chikunyana
Internal Audit



Cornelius Mokgoko
Operations



Lorato Kwelagobe
Marketing & Communications



Shirley Masunga
Finance



Keefentse Gaebowe
Human Resources & Administration



Chairperson's Report



The Honourable Christian De Graaf MP
Ministry of Agriculture
Private Bag 003
Gaborone

Sir

In accordance with Section 17 (1) of the Botswana Agricultural Marketing Board (BAMB) Act, CAP. 74:06, I am pleased to present to you a report on the performance of the Botswana Agricultural Marketing Board (BAMB) for the year ended 31st March 2014.

The accounts were approved by the Board of Directors at its meeting held on the 17th July 2014.

David Tibe
Board Chairperson



FINANCIAL RESULTS

Audited Accounts for the year ended 31st March 2014 show a 19% increase in turnover from P175 million (2012/2013) to P209 million (2013/2014). This was mainly due to increased demand for agricultural inputs and produce.

Sorghum contributed 70.7% sales for the year 2014. Supply contracts were signed with major Sorghum consumers during the financial year hence the staggering contribution to total sales. The sale of goods contributed 94.7% of the revenue while 5.3% was paid by Government to BAMB as fees for managing Strategic Grain Reserve (SGR). Audited Accounts for the year ended 31st March 2014 also show a net profit of P4,129,090 which is favourable compared to net profit of P2,091,575 (31st March 2013).

CORPORATE GOVERNANCE

The Board of Directors of BAMB established in accordance with Section 3 of the BAMB Act, CAP 74:06 remains committed to corporate governance principles of transparency, accountability and integrity. Although the mandate of the Board of Directors is spelt out by the Act, the Board found it necessary to develop a Board Charter to clearly spell out fiduciary responsibilities and to guide it in its deliberations, thus keeping up with current corporate governance trends.

FUTURE

The Board has developed a five year strategy for the years 2014 to 2019; this will incorporate a wide organisational review in the process. BAMB has shown bottom line growth as compared to last year which is evident that results are being attained through the implementation of the strategies. This gives me confidence that with improvements in cost management and prudent application of resources, the sustainability of BAMB will be achieved over the next plan period and beyond.

David Tibe
Board Chairperson

Chief Executive Officer's Report

FINANCIAL PERFORMANCE (Audited Accounts) Revenue

We are delighted to have delivered another year of strong performance in 2014. Net sales grew 19% from **P175 million** in 2013 to **P209 million** in 2014.

Pleasingly, we succeeded on the bottom line as well despite continuing intense competitive environment and volatile conditions in the grain industry.

BAMB derives its revenue from the sale of goods and management fees for the Strategic Grain Reserve (SGR) paid to BAMB by the Government of Botswana.

Elvis Ncaagae
Chief Executive Officer



Chief Executive Officer's Report (cont.)

	2011/2012		2012/2013		2013/2014	
Sale of Goods	221,645,224	99.50%	172,495,122	99.50%	198,660,900	94.7%
SGR Management Fees	1,003,431	0.50%	1,003,431	1%	11,160,329	5.3%
	222,648,656	100%	175,012,169	100%	209,821,229	100%

The following products contributed to total sales and Sorghum being the major contributor for the year at 70.7%. Supply contracts were signed with major Sorghum consumers during the financial year hence the staggering contribution to total sales.

	2010/2011		2011/2012		2012/2013		2013/2014	
	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales
Sorghum	72,137,608	35%	71,671,457	32%	54,537,345.14	32%	148,343,606.08	70.7%
Pulses	49,754,995	24%	49,116,230	22%	6,103,179	4%	11,414,274.64	5.44%
Sunflower	33,966,115	17%	39,550,925	18%	39,075,528	23%	-	0%
Maize	26,495,191	13%	23,709,216	11%	10,136,662	6%	15,023,199.71	7.16%
	182,383,909	89%	184,047,828	83%	109,852,714	65%	174,781,080.43	83.3%

NET PROFIT

Audited Accounts for the year ended 31st March 2014 show a net profit of P4,129,090 which is favourable compared to net profit of P2,091,575 (31st March 2013) The profit position is largely due to narrow margins which BAMB achieved on the main products sold this year.

OPERATIONAL PERFORMANCE

Grain Purchases During the 2013/2014 harvesting season BAMB purchased 65,846Mt of grains. Sorghum purchases doubled the previous year as purchases jumped from 21,794Mt in 2013 to 43,321 in 2014.

Chief Executive Officer's Report (cont.)

QUANTITY PURCHASED (Mt)

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Sorghum	22,679	23,803	11,540	21,279	43,321
Maize	5,337	6,898	9,317	2,574	13,669
Sunflower	69	23	11,437	3,891	4,703
Pulses	407	1202	953	3,000	4,151
Millet	104	159	520	339	2
Total	28,596	32,085	33,767	31,083	65,846

Agricultural inputs contributed only 16.7% to total sales during the reporting period. Distribution by product as follows:

	2010/2011		2011/2012		2012/2013		2013/2014	
	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales
Fertilizer	6,563,563	3%	20,127,513	9%	39,649,684	23%	6,399,547.36	70.7%
Seeds	5,423,816	3%	6,990,433	3%	8,856,127	5%	5,434,369.73	5.44%
Feeds	6,258,950	3%	5,954,015	3%	9,370,326	5%	12,715,166.24	0%
Packaging Material & Others	3,631,578	2%	4,525,435	2%	4,766,270	2%	10,491,061.25	7.16%
	21,877,907	11%	37,596,996	17%	62,642,408	35%	35,040,144.58	83.3%

Audited Accounts for the year ended in 2014 show a **net profit** of about

P4 million

which is favourable compared to **net profit of**

P2 million

Chief Executive Officer's Report (cont.)

The agricultural inputs business decreased to 16.7% (P35,040,144.58) from 35% (P62,642,408) during financial year 2013/14. The poor performance in the agricultural inputs is attributable to the loss of the Government Tender to supply fertilizers and seeds.

CORPORATE SOCIAL RESPONSIBILITY POLICY

Botswana Agricultural Marketing Board (BAMB) has established Corporate Social Investment Committee which is mandated to plan and coordinate the implementation of all Corporate Social Investment activities. A Corporate Social Investment Policy has been put in place as guide in the implementation of objectives that not only meet our business strategy but are in line with positive social impact. The CSI policy will seek to develop the communities and the lives of the people of Botswana, reposition the BAMB brand as relevant to the lives of those we serve and contribute towards the social development of the people of Botswana.

As the various needs continue to rise, we will continue to do the important work of listening to our stakeholders, aligning CSI to business strategy, setting goals, and measuring impacts, with the hope that we can all create a better tomorrow full of compassion and harmony.

The following areas will be the focus for our operations, alongside the company strategy and Vision 2016:

- **Sports development** - Primary and secondary schools
- **Agriculture** - agricultural clubs as primary, secondary and university
- **Small business development** - cluster farming
- **Environment** - environmental clubs, best student at Primary

PROJECTS ENGAGED IN CURRENT

- **Nkoyaphiri Primary School** - establishment of a school garden and sponsorship of cultural day.
- Adore Little Children in Ngarange (Shakawe area) for the provision of material to refurbishment of an outdoor cooking and play area.

CUSTOMER SERVICE

BAMB is embarking on developing Branding Strategy which is envisaged to improve service and have satisfied BAMB customers being farmers and millers. The strategy will encompass the following area.

CONTRACT FARMING

In this scheme BAMB identifies a market for particular crop and contracts farmers to produce it at agreed prices and quantities ahead of planting. This helps to minimize the farmer's exposure to price risks due to price fluctuations dictated by the market. To make these contracts more attractive they are minimum price contracts, meaning that at the time of

Chief Executive Officer's Report (cont.)

delivery BAMB pays a contract farmer at whichever is higher; the contract or the market price. To further build confidence in contracts and encourage contract farmers to deliver whenever their crops are ready, BAMB pays the contract farmer the highest price of the harvest period, ie between May and September.

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Contracted Quantities (Mt)	18,874	38,206	39,986	40,479	15,735	68,094
Number of Farmers	26	35	62	80	46	183
Pandamatenga/ Northern	18	18	18	28	13	40
Southern Farmers	8	18	44	52	33	143

MARKET RELATED PRODUCER PRICES

Like all commodity markets, the grain industry is highly competitive and prices are volatile and as they are acutely influenced by supply and demand conditions. Typically when shortages occur in the market, prices tend to rise and they drop when there is excess in the market. As a result market prices may vary widely from one year to another and constantly fluctuate within a season. For example at the onset of the harvest season prices may be higher than later in the season as and when supply and demand conditions change.

As a net importer of grain, Botswana is exposed to external market conditions since imports directly compete with local produce because agro-processors/ millers are free to import, if it is cheaper for them to do so. For local produce to compete with imports BAMB is forced to set producer (buying) prices at par with imports using the South African Futures Exchange (SAFEX) as a benchmark. However it sometimes happens that when local produce is of a higher quality than imports, BAMB sets buying prices for local produce above the market.

In an effort to stabilize the ever fluctuating commodity prices and build confidence in the local market, BAMB sets producer prices on a monthly rather than daily basis during the harvest period. Producer prices for 2013/2014 harvesting season, showed an upward movement for these crops, i.e. Sorghum, maize and sunflower. This was largely due to low production in the region. Producer prices for the years between 2008 and 2014 ranged as follows:

Chief Executive Officer's Report (cont.)

PRODUCER AND CONTRACT PRODUCTION PRICE (Pula/Mt)					
	2008/2009	2009/2010	2010/2011	2012/13	2013 / 14
Sorghum	1,550 - 1,900	1,650 - 1,700	1,300 - 1,700	2222 - 2950	2,500.00 - 2,900.00
Millet	1,600 - 2,600	2,600 - 2,600	2,600 - 3,000	2600 - 2600	1,700.00 - 2,000.00
Maize (White/ Yellow)	1,700 - 1,800	1,300 - 1,500	1,100 - 1,420	1789 - 2600	1,880.00 - 1,900.00
Sunflower	1,182 - 3,540	806 - 1,213	1,702 - 3,150	3523 - 4560	3,200.00 - 4,000.00
Groundnuts & Jugo Beans	5,000 - 7,000	7,000 - 7,000	8,000 - 8,000	8400 - 8800	9,900.00 - 9,900.00
Cow-peas and Beans	5,000 - 6,800	6,000 - 7,000	6,000 - 7,200	7200 - 14000	14,000.00 - 14,000.00

DEVELOPMENT AND IMPLEMENTATION OF QUALITY MANAGEMENT SYSTEM

The development of BAMB Quality Management System (QMS) documentation has been completed. Implementation of the system is due to commence and the certification of BAMB to ISO 9001: 2008 is planned for 2015. By implementing QMS the Board aims to improve efficiency of its business processes, so as to improve service delivery and provide a consistent service.

HUMAN RESOURCE MANAGEMENT

One new Senior Manager, Marketing and Communications Manager joined the Company during the second quarter.

To improve staff retention BAMB participates in a remuneration and salary survey on an annual basis to establish whether BAMB salaries are aligned to the market. The BAMB conditions of services were reviewed to align them with market trends. BAMB also embarked on the implementation of SHE programme covering safety skills enhancement and installation of fire detectors at all the branches. welfare, skills alignment, succession planning and talent management programmes between now and 31st March 2014.



Chief Executive Officer's Report (cont.)

CORPORATE GOVERNANCE

Botswana Agricultural Marketing Board is committed to safeguarding strong corporate governance throughout the Board. This involves participation of Board of Directors in overseeing BAMB performance and providing strategic leadership, guidance and supervision to management. To achieve this, the Board meets management on quarterly basis and regularly reports the organization's activities to Government. To assist the Board of Directors in furthering its mandate the Marketing and Communication Committee has been established to complement the existing Board Committees.

During the reporting period, two Board members Mrs. O. Nkoane and Mrs. R. Mphathi joined the Board.

FINANCE AND AUDIT COMMITTEE

The Finance and Audit committee assists the Board of Directors to effectively carry out its mandate relating to accounting policies, internal controls, and financial reporting practices. This committee is primarily supported by the Internal Audit Department which provides frequent, timely, accurate information and analysis of the operations of Board.

- *Marketing and Communication Committee*

The Marketing and Communication Committee responsibility involve overseeing and guiding BAMB management on issues of Marketing and Communications. This has been prompted by the fact that BAMB envisaged to be positioned as a world class market for agricultural products and services'.

- *Tender Committee*

This committee is responsible for evaluating and awarding tenders for procurement of goods and services within the set limits and in line with the Board procurement guidelines.

- *Human Resource Committee*

This committee sets and oversees the overall human resources practices of the Board including recruitment and appointments of senior management staff. It also sets performance targets and monitors the performance of the Chief Executive Officer. Meetings and attendance of the Board and its sub-committees were as follows:

Chief Executive Officer's Report (cont.)

Members	Main Board of Directors Meeting	Finance & Audit Committee	Human Resource Committee	Tender Committee	Marketing & Communication
D. Tibe					
Max. Possible	5				
Attended	5				
R. Mphathi					
Max. Possible	5	4		1	1
Attended	4	2		1	1
K.N Binns					
Max. Possible	5	4	4		1
Attended	4	4	4		1
T. Phuthago					
Max. Possible	5	4		1	1
Attended	4	4		0	1
O. Nkoane					
Max. Possible	5			1	1
Attended	3			1	1
M. Keaja					
Max. Possible	5	4	4		
Attended	2	1	3		
S. Motsamai					
Max. Possible	5		4	1	
Attended	4		4	0	
J.J Van Der Westhuizen					
Max. Possible	5		4		
Attended	5		2		

Annual Financial Statement

Report of the independent auditors	31
Statement of Comprehensive Income	32
Statement of Financial Position	33
Statement of Changes in Equity	34
Statement of Cash Flows	35
Notes to the financial statements	58 - 81



Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

General Information

Country of Incorporation and Domicile	Botswana
Nature of business and principal activities	The Board is a parastatal organisation established under an Act of Parliament (CAP 74:06, Act 2 of 1974) to market grain and agricultural produce in Botswana.
Members of the Board	D M Tibe (Chairperson) K N Binns (Deputy Chairperson) M Keaja J Van Der Westhuizen T Phuthego S Motsamai O S Nkoane R Mphathi
Company Secretary	K Gaebowe
Registered Office	Plot 130, Unit 3 & 4 Nkwe Square Gaborone International Finance Park Gaborone Botswana
Postal address	Private Bag 0053 Gaborone Botswana
Auditor	 2 nd Floor, Plot 22 Khama Crescent Gaborone
Bankers	Standard Chartered Bank of Botswana Limited Barclays Bank of Botswana Limited First National Bank of Botswana Limited
Company registration number	687900
Measurement and Presentation Currency	Botswana Pula

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 March 2014 which have been prepared on the going concern basis, were approved by the members of the Board on 17th July 2014 and were signed on its behalf by:



DIRECTOR



DIRECTOR

17/07/2014

DATE

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Independent Auditor's Report to the Members of Botswana Agricultural Marketing Board

Report on the financial statements

We have audited the accompanying financial statements of Botswana Agricultural Marketing Board, which comprise the statement of financial position as at 31 March, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 81.

Directors' responsibility for the financial statements

The Board's directors 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 Agricultural Marketing Board Act (Chapter 74:06) and for such internal control as the directors 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of, the financial position of the Botswana Agricultural Marketing Board as at 31 March, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Botswana Agricultural Marketing Board Act (Chapter 74:06).

 *Ernst & Young*
2nd Floor, Plot 22
Khama Crescent
P O Box 41015
Gaborone, Botswana

Practicing Member Bakani Ndwapi
(19980026)
Certified Auditor

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Statement of Comprehensive Income

	Notes	Year ended 31 March	
		2014 Pula	2013 Pula
Revenue	14	209,821,229	175,012,169
Costs of sales	15	(166,512,032)	(136,792,288)
Gross Profit		43,309,197	38,219,881
Other income	16	1,599,252	2,208,549
Operating expenses	17	(41,932,701)	(39,460,008)
Operating (loss) / profit		2,975,748	968,422
Finance income	18	1,481,279	1,596,590
Finance costs	19	(327,937)	(473,437)
Profit / (Loss) for the year		4,129,090	2,091,575
Other comprehensive income:			
Gains and losses on property revaluation		-	-
Other comprehensive income (loss) for the year net of taxation		-	-
Total Comprehensive income		4,129,090	2,091,575

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Statement of Financial Position

	Notes	Year ended 31 March		
		2014 Pula	31 March 2013 Restated Pula	01 April 2014 Restated Pula
ASSETS				
Non current assets				
Property, plant and equipment	2	60,922,474	66,142,117	71,462,457
Investment property	2	11,114,633	11,114,640	11,114,640
		72,037,114	77,256,757	82,577,097
Current assets				
Inventories	4	59,040,369	72,582,599	57,230,098
Trade and other receivables	5	68,152,977	14,925,848	27,215,492
Cash and cash equivalents	6	44,705,837	41,554,940	55,502,785
		171,899,183	129,063,387	139,948,375
TOTAL ASSETS		243,936,297	206,320,144	222,525,472
EQUITY AND LIABILITIES				
Equity				
Government equity	7	27,455,061	27,455,061	27,455,061
Reserves	7	77,666,559	79,401,146	81,179,112
Retained earnings		16,966,077	12,296,201	8,948,284
Total equity		122,087,697	119,152,408	117,582,457
Non-current liabilities				
Finance lease obligation	8	-	-	344,457
		-	-	344,457
Current liabilities				
Finance lease obligation	8	-	403,658	617,650
Defined benefit obligation		-	-	362,227
Trade and other payables	11	118,192,532	83,804,746	99,987,675
Deferred income	9	2,630,176	2,630,176	2,630,176
Provisions	12	1,025,892	329,156	1,000,830
		121,848,600	87,167,736	104,598,558
TOTAL LIABILITIES		121,848,600	87,167,736	104,943,015
TOTAL EQUITY AND LIABILITIES		243,936,297	206,320,144	222,525,472

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Statement of Changes in Equity

	Notes	Government Equity	Revaluation Reserve	Stabilisation Fund	Development Fund	Retained Earnings	Total Equity
As at 01 April 2013		27,455,061	69,383,478	9,017,668	1,000,000	12,296,201	119,152,408
Profit for the period		-	-	-	-	4,129,090	4,129,090
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	4,129,090	4,129,090
Dividends		-	-	-	-	(1,032,273)	(1,032,273)
Depreciation transfer		-	(1,734,587)	-	-	1,573,059	(161,528)
As at 31 March 2014		27,455,061	67,648,891	9,017,668	1,000,000	16,966,077	122,087,697

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Statement of Cash Flows

	Notes	2014 Pula	Year ended 31 March 2013 Pula
Cash flows from operating activities			
Profit / (Loss) for the year		4,129,090	2,091,575
Adjustments for:			
Depreciation	2	5,847,546	6,634,552
Bad debts expense	17	842,140	3,029,346
Deferred income utilised during the year	9	-	-
Gain/(Loss) on foreign exchange		(71,042)	779,175
Loss/(Profit) on sale of assets		18,000	500,507
Finance income	18	(1,481,279)	(1,596,590)
Finance costs	19	327,937	473,437
Provisions		696,736	(671,674)
Changes in working capital:			
Decrease /(Increase) in inventories		13,542,230	(15,352,501)
Decrease /(Increase) in trade and other receivables		(54,069,269)	9,260,298
Increase in trade and other payables		33,178,556	(17,810,375)
Cash generated from operations		2,960,641	(12,662,250)
Interest received	17	1,481,279	1,596,590
Interest paid		(327,937)	(473,437)
Contributions paid to the defined benefit pension		-	-
Net cash from operating activities		4,113,987	(11,539,097)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(645,903)	(1,681,141)
Proceeds from disposal of property, plant and equipment		18,000	136,634
Net cash used in investing activities		(627,903)	(1,544,507)
Cash flows from financing activities			
Finance lease payments	8	(335,187)	(558,449)
Dividends paid		-	(285,742)
Net cash flows used in financing activities		(335,187)	(844,191)
Net increase in cash and cash equivalents		3,150,893	(13,927,795)
Net foreign exchange difference		-	(20,050)
Cash and cash equivalents at beginning of year		41,554,940	55,502,785
Cash and cash equivalents at end of the year	6	44,705,837	41,554,940

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Summary of Significant Accounting Policies

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Summary of Significant Accounting Policies

1. Basis of Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Botswana Agricultural Marketing Board Act 1974 (CAP 74:06). The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain items which are measured at fair value, and incorporate the principal accounting policies set out below. The functional and presentation currency of the Board is the Botswana Pula.

These accounting policies are consistent with the previous period, except for the changes set out in accounting policy note 17 Changes in Accounting Policy.

2. Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Areas requiring significant judgements and estimates include:

2.1 Trade receivables

The Board assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Board makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

2.2 Allowance for slow moving, damaged and obsolete stock

An allowance for stock is raised to write down to the lower of cost or net realisable value. The Board has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note. This is decided by the disposal committee, based on expected cost to be realised, the quality of goods and the expiry date of the product.

Summary of Significant Accounting Policies (cont.)

Significant judgements and sources of estimation uncertainty (Continued)

2.3 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the residual value assumption may change which may then impact the estimations and may then require a material adjustment to the carrying value of the assets.

The Board reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time.

2.4 Provisions

Provisions are recognized when the Board has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Board has recognized provisions in respect of pending litigation cases. Further details related to the provisions are disclosed in Note 12.

2.5 Revaluation of property, plant and equipment and investment properties

The Board measures land and buildings at revalued amounts with changes in fair value being recognised in OCI. The Board engaged an independent valuation specialist to revalue land and buildings in 2012. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. Motor vehicles and equipment are also carried at revalued amounts, determined by expert valuers in the motor industry, while for furniture and office equipment this is done using management assumptions upon considering factors such as the useful life of the asset and its current working condition. This valuation is done periodically (2 - 3 years).

Fair value of investment properties was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of revaluation 31 March 2012, the properties' fair values are based on valuations performed by, an accredited independent local valuer.

Significant unobservable valuation input:

Price per square metre

Range

P20 - P50

Summary of Significant Accounting Policies (cont.)

Significant judgements and sources of estimation uncertainty (Continued)

2.6 Useful life and residual value of property, plant and equipment

The estimates of useful lives as translated into depreciation rates are detailed in property, plant and equipment policy on the annual financial statements. These rates and residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the industry.

2.7 Investment property

Management considered property currently leased to third parties as investment property. The Board has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

2.8 Contingent liabilities

Management applies its judgement to facts and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

3. Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Board; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is subsequently carried at revalued amounts less accumulated depreciation and any impairment losses, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any increase in the buildings, plant and equipment's carrying amount, as a result of a revaluation, is recorded in other comprehensive income and hence in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

Summary of Significant Accounting Policies (cont.)

3. Property, plant and equipment (continued)

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Item	Average useful life
Land & Buildings	40 years
Furniture & Fitting	3 - 5 years
Motor Vehicles	3 - 5 years
Plant and machinery	5 years

The residual value, useful life of each asset and, depreciation methods are reviewed at each financial period-end, and adjusted prospectively if appropriate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

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

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is de-recognised. Property, plant and equipment may be derecognised when either the item of property plant and equipment is disposed of or no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Consumables and loose tools are written off in the year of purchase.

4. Financial instruments

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

Summary of Significant Accounting Policies (cont.)

4. Financial instruments (continued)

4.1 Initial recognition

Financial instruments are recognised initially when the Board becomes a party to the contractual provisions of the instruments.

The Board classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the asset or liability.

4.2 Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account all premiums and discounts as well as costs that are an integral part of the effective interest rate and the amortisation arising from the application of the effective interest rate is recorded as finance costs in profit or loss.

4.3 Loans to employees

These financial assets are classified as loans and receivables and are included under trade receivables as "Employee costs paid in advance".

4.4 Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the profit and loss.

Summary of Significant Accounting Policies (cont.)

4. Financial instruments (continued)

Trade and other receivables are classified as loans and receivables.

4.5 Trade and other payables

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

4.6 Cash and cash equivalents

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

4.7 Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

4.8 Impairment of financial assets

For financial assets carried at amortised cost, the Board first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Board determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan/ receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

Summary of Significant Accounting Policies (cont.)

4. Financial instruments (continued)

4.9 De-recognition

The Board de-recognises financial assets when the contractual rights to the cash flows from the financial asset expire; or when the Board transfers the financial asset out.

When the Board transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset.

A financial asset is derecognised when:-

1. The rights to receive cash flows from the asset have expired;
2. The Board has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and;
3. Either (a) the Board has transferred substantially all the risks and rewards of the asset, or (b) the Board has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Board has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Board's continuing involvement in the asset.

In that case, the Board also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Board has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Board could be required to repay.

The Board de-recognises financial liabilities when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

4.10 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

1. There is a currently enforceable legal right to offset the recognised amounts and;
2. There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Summary of Significant Accounting Policies (cont.)

5. Taxation

No provision for taxation is required as Botswana Agricultural Marketing Board is exempt from taxation in terms of second schedule, Part I of the Income Tax Act (CAP 52:01).

6. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

6.1 Finance leases - lessee

Finance leases are recognised as assets and liabilities at the commencement of the lease term in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease assets (lessee) are depreciated over its useful life, unless where there is no certainty that ownership will pass to the Board at the end of the lease term, in which case the asset will be depreciated over the shorter of its useful life and the lease term.

6.2 Operating leases - lessor

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

Income for leases is disclosed under revenue in profit and loss.

Summary of Significant Accounting Policies (cont.)

6. Leases (continued)

6.3 Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset or liability is not discounted.

7. Inventories

Inventories are measured at the lower of cost and net realisable value on the weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Board's inventory comprises of scheduled produce i.e. maize, sunflower, sorghum etc.

8. Impairment of non-financial assets

The Board assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Board estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is based on recent market transaction prices less costs that the Board assess will be required to be incurred in order to sell the asset.

Value in use is determined by discounting projected cash flows for the asset. The rate used to discount the cash flows is the real risk free rate i.e. government bond rate adjusted for the uncertainty of the projected cash flow.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the profit and loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Summary of Significant Accounting Policies (cont.)

8. Impairment of non-financial assets (continued)

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

9. Government equity

Government equity comprises of equity capital and callable capital. Equity capital is recorded at the value at which the loan and other payables to Government was converted on 14 September 2000 based on the Presidential Directive CAB30/2000. Callable capital is recorded as the proceeds received. This comprises contributions by the Government of Botswana. There is no requirement to repay this capital.

10. Government grants/deferred income

Government grants are recognised when there is reasonable assurance that:

- the Board will comply with the conditions attached to them; and
- the grants will be received.

10.1 Government grants related to assets

These are government grants whose primary condition is that for the Board to qualify for them, the Board should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.

The Board presents the grant in the statement of financial position by setting up the grant as deferred income. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Summary of Significant Accounting Policies (cont.)

10. Government grants/deferred income (continued)

10.2 Government grants related to income

These are government grants other than those related to assets.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Board with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to income are presented as income in profit or loss (separately).

The utilisation of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Utilisation of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

11 Employee benefits

11.1 Short-term employee benefits

The cost of short-term employee benefits, (those benefits that are expected to be settled wholly before 12 months after the end of the reporting period in which employees render the related service, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Gratuities are paid to employees of the Board based on terms of employment contract over the period of employment and are not discounted.

Summary of Significant Accounting Policies (cont.)

11 Employee benefits (continued)

11.2 Defined contribution plan

The Board has a funded defined contribution pension plan covering substantially all of its employees. The defined contribution plan came into effect on 1st January 2013 as the Board changed from the defined benefit plan. The assets of the funded plan are held independently of the Board's asset in separate trustee administered funds.

12. Provisions and contingencies

Provisions are recognised when:

- the Board has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

Where the Board expects some or all of the expenditure required to settle a provision to be reimbursed by another party if the Board settles the obligation. The reimbursement shall be treated as a separate asset if the receipt is virtually certain. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Contingent assets and contingent liabilities are not recognised, but are disclosed in the notes to the financial statements.

13. Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Board has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Board retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Board; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Summary of Significant Accounting Policies (cont.)

13. Revenue (continued)

When the outcome of a transaction involving the sale of scheduled produce can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Board;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is recognised at the fair value of consideration received. The Board sells scheduled produce on a daily basis i.e. sugar beans, sorghum, sunflower etc.

When the outcome of the transaction involving the sale of scheduled produce cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in profit or loss, using the effective interest method.

Service fees including management fees for the Strategic Grain Reserve, if any, are recognised as revenue over the period during which the service is performed. The Board derives management fees from managing the reserves of the Strategic Grain Reserve.

Government grants are recognised when there is reasonable assurance that the Board will comply with the conditions attaching to them and the grants will be received.

14. Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Summary of Significant Accounting Policies (cont.)

15. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the Board on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

16. Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an evaluation performed by an accredited external independent valuer applying an appropriate valuation model. Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of de-recognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Summary of Significant Accounting Policies (cont.)

17. Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pula, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in the profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

Changes in accounting policies

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective 1 January 2013:

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 required changes to the presentation of other comprehensive income. Items that would be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The effective date of the amendment was 1 July 2012. This amendment has not impacted the Board as all assets and liabilities carried at fair value are fair-valued through profit and loss.

IFRS 7 Disclosures - Offsetting of Financial Assets and Financial Liabilities - Amendments to IFRS 7

These amendments required an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. The amendments did not have any impact on the disclosures for the Board as the Board does not have netting off arrangements.

Summary of Significant Accounting Policies (cont.)

17. Foreign currency transactions (continued)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. IFRS 10 does not change consolidation procedures (i.e. how to consolidate an entity). Rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control. Control exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities) Exposure, or rights, to variable returns from its involvement with the investee.

And

- The ability to use its power over the investee to affect then amount of the investor's returns.

IFRS 10 also provides a number of clarifications on applying this new definition of control, including the following key points:

- An investor is any party that potentially controls an investee; such party need not hold an equity investment to be considered an investor
- An investor may have control over an investee even when it has less than a majority of the voting rights of that investee (sometimes referred to as de facto control)
- Exposure to risks and rewards is an indicator of control, but does not in itself constitute control
- When decision-making rights have been delegated or are being held for the benefit of others, it is necessary to assess whether a decision-maker is a principal or an agent to determine whether it has control.

Consolidation is required until such time as control ceases, even if control is temporary. The Board has assessed all its investments and no reclassifications were required. The standards are effective for annual periods beginning on or after 1 January 2013 and is applied retrospectively.

IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10.

IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

Summary of Significant Accounting Policies (cont.)

17. Foreign currency transactions (continued)

Joint operation - An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognise all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

Joint venture - An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

In addition, IAS 28 was amended to include the application of the equity method to investments in joint ventures.

The adoption of IFRS 11 did not have any impact on the financial performance or position of the Board.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. There are no unconsolidated structured entities. IFRS 12 is applied retrospectively from 1 January 2013 for disclosures of interests in other entities.

IFRS 13: Fair value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Board. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. IFRS 13 is applied prospectively from 1 January 2013 for all fair value measurements.

Summary of Significant Accounting Policies (cont.)

17. Foreign currency transactions (continued)

Amendments to IAS 19 Employee Benefits

The amendments of IAS 19 remove the option to defer the recognition of actuarial gains and losses, the corridor mechanism. All changes in the defined benefits plans will be recognised in profit or loss and other comprehensive income. The effective date of the standard is 1 January 2013 and the standard is applied retrospectively. The adoption of these amendments will have no impact as the Board participates in a defined contribution scheme. The amendment also clarifies the short-term employee benefits will be classified to this category on the basis of expected settlement and no longer when the benefit is due to be settled. Consequently some short-term benefits could be classified as other long-term benefits. A change in classification of the employee benefits could impact the measurement and disclosures of the related benefits.

Standards issued but not yet effective

Standard issued but not yet effective up to the date of issuance of the Board's financial statements are listed below. This listing is of standards and interpretations issued, which the Board reasonably expects to be applicable at a future date. The Board intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as currently issued, reflects the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 and hedge accounting.

In subsequent phases, the IASB is addressing impairment of financial assets. The adoption of IFRS 9 will have an effect on the classification and measurement of the Board's financial assets, but will not have an impact on classification and measurements of the Board's financial liabilities. The Board does not apply hedge accounting.

The estimated effective date of IFRS 9 is 1 January 2018.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

The amendments clarify that rights of set-off referred to in IAS 32 must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event.

These amendments are not expected to impact the Board's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

Summary of Significant Accounting Policies (cont.)

17. Changes in accounting policies (continued)

IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Board.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Board does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Board does not have derivatives and does not expect the standard to have a material financial impact in future financial statements.

Improvements to International Financial Reporting Standards – 2009-2011 Cycle

In the 2009-2011 annual improvements cycle, the IASB issued six amendments to five standards, summaries of which are provided below.

The amendments are applicable to annual periods beginning on or after 1 January 2013. Earlier application is permitted and must be disclosed. The amendments are applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy.

IAS 1 Presentation of Financial Statements

Clarification of the requirements for comparative information

- The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

Summary of Significant Accounting Policies (cont.)

17. Changes in accounting policies (continued)

Generally, the minimum required comparative period is the previous period.

- An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements.
- The opening statement of financial position (known as 'the third balance sheet') must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. For example, the beginning of the preceding period for a 31 December 2014 year-end would be 1 January 2013. However, unlike the voluntary comparative information, the related notes are not required to include comparatives as of the date of the third balance sheet.

IAS 34 Interim Financial Reporting

Interim financial reporting and segment information for total assets and liabilities

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. There are no unconsolidated structured entities. IFRS 12 is applied retrospectively from 1 January 2013 for disclosures of interests in other entities.

IAS 32 Financial Instruments: Presentation

Tax effects of distributions to holders of equity instruments

The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders IAS 1: Presentation of items of other comprehensive income (Amendment to IAS 1). The amendment to IAS 1 requires that items presented within OCI be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled. This standard became effective 1 July 2012.

Summary of Significant Accounting Policies (cont.)

17. Changes in accounting policies (continued)

IFRS 7 - Disclosures - offsetting financial assets and financial liabilities (amendments to IFRS 7). This standard amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This standard is effective 1 January 2013.

IAS 28 - Investments in associates and joint ventures (consequential revision due to the issue of IFRS 10 and 11). The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates. This standard became effective 1 January 2013.

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements

1. PROPERTY, PLANT AND EQUIPMENT 2014

	Land and Buildings	Furniture and Fixtures	Motor vehicles	Plant and Machinery	Total Pula
Cost					
At beginning of year	60,350,311	961,249	11,294,478	5,216,565	77,822,603
Additions	65,450	19,506	-	560,947	645,903
Disposals	-	-	(68,013)	-	(68,013)
At end of year	60,415,761	980,755	11,226,465	5,777,512	78,400,493
Accumulated Depreciation					
At beginning of year	5,172,265	279,410	3,312,363	2,916,448	11,680,486
Charge for the year	1,513,235	199,174	3,318,086	817,051	5,847,546
Disposals	-	-	(50,013)	-	(50,013)
At end of year	6,685,500	478,584	6,580,436	3,733,499	17,478,019
Carrying amount					
At beginning of year	55,178,046	681,839	7,982,115	2,300,117	66,142,117
At end of year	53,730,261	502,171	4,646,029	2,044,013	60,922,474
2013 - Restated					
	Land and Buildings	Furniture and Fixtures	Motor vehicles	Plant and Machinery	Total Pula
Cost					
At beginning of year	71,464,951	946,819	10,958,118	4,683,935	88,053,823
Transfer to investment property	(11,114,640)	-	-	-	(11,114,640)
At beginning of year - restated	60,350,311	946,819	10,958,118	4,683,935	76,939,183
Additions	-	15,841	1,089,870	575,430	1,681,141
Revaluation	-	(1,411)	(100,500)	(42,800)	(144,711)
Disposals	-	-	(653,010)	-	(653,010)
At end of year	60,350,311	961,249	11,294,478	5,216,565	77,822,603
Accumulated Depreciation					
At beginning of year	3,567,803	41,495	126,496	1,740,932	5,476,726
Charge for the year	1,561,662	239,327	3,328,235	1,218,316	6,347,540
Revaluation	42,800	(1,412)	(126,496)	(42,800)	(127,908)
Disposals	-	-	(15,872)	-	(15,872)
At end of year	5,172,265	279,410	3,312,363	2,916,448	11,680,486
Carrying amount					
At beginning of year	56,782,508	905,324	10,831,622	2,943,003	71,462,457
At end of year	55,178,046	681,839	7,982,115	2,300,117	66,142,117

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

1. PROPERTY, PLANT AND EQUIPMENT 2014 (continued)

Revaluation of assets during the 2012 financial year

Assets were revalued by the Board effective 31 March 2012 which resulted in a revaluation gain of P9.89 million. The revaluation of land was performed by Botswana National Railways. Motor vehicles and plant & machinery were revalued by expert valuers in Botswana i.e. Naledi Motors (Pty) Ltd, Broadhurst Motors (Pty)Ltd, Commercial Motors (Pty) Ltd, Motor Holdings Gaborone, Scania Botswana (Pty) Ltd and KIA Motors (Pty) Ltd. The revaluation of office furniture was performed by management. The revaluations were performed by independent valuers based on fair values with the exception of furniture which was valued by management. Assets were not revalued at year end 31 March 2014.

2 INVESTMENT PROPERTY

The Board's investment properties consist of commercial properties leased out around the country.

Management have opted to value this property at fair value.

The Board has no restrictions on the realisability of its investment properties and no contractual obligation to either sale or develop investment properties or for repairs, maintenance and enhancement.

	31 March 2014	31 March Restated 2013	01 April Restated 2012
Opening balance at 1 April	11,114,640	11,114,640	11,114,640
Net gain/ (loss) from fair value adjustment	-	-	-
Closing balance	11,114,640	11,114,640	11,114,640
	2014	2013	
Rental income derived from investment properties	1,463,405	1,439,796	
Direct operating expenses (including repairs and maintenance) generating rental income	-	-	
Profit arising from investment properties	1,463,405	1,439,796	

The Board has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Notes to the Financial Statements (cont.)

2. INVESTMENT PROPERTY (continued)

Description of valuation techniques

	Valuation technique	Significant unobservable input	Range
Commercial properties	DCF method	Estimated rental value per square metre(sq.m)	P20 - P50
		Growth rate	1.10%

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

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by:

- (a) A directionally similar change in the rent growth per annum and discount rate (and exit yield)
- (b) An opposite change in the long term vacancy rate

Investment properties are categorised as level 3 within the fairly value hierarchy.

2.3 Reclassification

Incorrect classification of property:

"In the 2013 period, it was identified that some of the property owned by BAMB and previously owner occupied and classified as PPE was no more owner occupied but leased out to third parties. These properties should have been classified as investment property in accordance with IAS 40 Investment Property. This has resulted in a reclassification of the properties from PPE to investment properties. The properties were previously carried at their revalued amounts with revaluation surpluses recorded in OCI. The revaluation reserve relating to those properties will only be released to retained earnings when the investment properties are sold. Classified as investment property, they will be carried at fair value. The effect of the correction of the error on the results of 31 March for the year 2013 and April 2012 is as follows:

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	Pula	Pula
2. INVESTMENT PROPERTY (continued)		
2.3 Reclassification (continued)		
	2013	2012
Statement of financial position:		
Decrease in property plant and equipment	(11,114,640)	(11,114,640)
Increase in investment property	11,114,640	11,114,640
Retained earnings	287,012	-
Statement of comprehensive income:		
Increase/ (decrease) in depreciation	(287,012)	-

3. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2014	Loans and Receivables	Total
Cash and cash equivalents	44,705,837	44,705,837
Trade and other receivables	68,152,977	68,152,977
	112,858,814	112,858,814
2013	Loans and Receivables	Total
Cash and cash equivalents	55,502,785	55,502,785
Trade and other receivables	27,215,492	27,215,492
	82,718,277	82,718,277

The carrying value less impairment provision of trade receivables and cash and cash equivalents are assumed to approximate their fair values.

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula
4. INVENTORIES		
Merchandise	62,477,186	74,902,498
Inventory write-downs	(3,436,817)	(2,319,899)
	<u>59,040,369</u>	<u>72,582,599</u>

The Board maintains Strategic Grain Reserves (SGR) on behalf of the government of Botswana. The values of the inventories are excluded from the year end inventory value recorded in the books of the Board. These are separately recorded in the financial records of the Strategic Grain Reserve. The Reserve's inventory balance at reporting date was valued at P55,643,399 (2013:P28,811,818). The inventories held by the Board are sorghum, maize, pulses, fertilizers and seeds.

INVENTORY PLEDGED AS SECURITY

Inventories are pledged as security for the Board's overdraft limits. The current year overdraft limit was set at P20million with an outstanding balance of P3,079 (2013:P0.00)at the reporting date.

5. TRADE AND OTHER RECEIVABLES

Employee costs paid in advance	-	-
Other receivables	-	-
Prepayments	856,233	58,239
Trade receivables	73,907,801	20,636,526
Provision for doubtful debts	(6,611,057)	(5,768,917)
	<u>68,152,977</u>	<u>14,925,848</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The employee costs paid in advance are loans advanced to the Board's employees. These are paid on a monthly basis and do not bear any interest. If personal loans are taken by employees these are charged interest at prime rate. The carrying value less impairment provision of trade receivables is assumed to approximate their fair values due to their short term nature. The fair value of financial assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Board for similar financial instruments, unless the carrying value of the assets or liabilities are deemed to approximate their fair value. Debtors that are over 120 days are charged interest at prime lending rate as determined from time to time by Bank of Botswana.

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula
5. TRADE AND OTHER RECEIVABLES (continued)		

The impairment provision is made based on the review of an individual debtors current credit situation, past performance and other factors.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March, 2014, P29,828,300 (2013: P15,434,019) were past due but not impaired. These debts are expected to be realised. The Board has assessed the credit worthiness of the debts and has concluded that the debts are realisable.

The ageing of the amounts past due but not impaired is as follows:

1 month past due	15,848,475	4,669,204
2 months past due	8,844,945	1,484,673
3 months past due	2,072,942	586,287
More than 3 months past due	3,061,938	8,693,855
	<u>29,828,300</u>	<u>15,434,019</u>

Trade and other receivables which are current and are neither past due nor impaired amount to P37,468,444 to 2013: 5,260,745.

Trade and other receivables impaired

As of 31 March, 2014, the trade and other receivables of P6 611 057 (2013: P5 768 917) were impaired and provided for. The ageing of these loans is as follows:

Over 3 months	6,611,057	5,768,917
	<u>6,611,057</u>	<u>5,768,917</u>

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula
5. TRADE AND OTHER RECEIVABLES (continued)		
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	5,768,917	2,739,571
Additional amounts raised	842,140	3,029,346
	<u>6,611,057</u>	<u>5,768,917</u>

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss (Note 17).

The Board does not hold any collateral as tangible security.

In order to establish whether trade receivables were impaired the Board assesses the payment history as well as the length of time that the debt had been outstanding.

6. CASH AND CASH EQUIVALENTS

Bank balances	18,510,666	16,558,162
Cash on hand	78,573	186,723
Short term deposits	26,116,598	24,810,055
	<u>44,705,837</u>	<u>41,554,940</u>

The Board's overall banking facility with Standard Chartered Bank Botswana Limited consist of various facilities as follows:-

Botswana Pula Overdraft facility of P20million is to be utilised for general working capital requirements; repayable on demand; carries an interest rate at Bank's prime lending rate less 2.65% per annum.

The Board earns interest of around 2% on call accounts and 5.85% on short term fixed deposits and these rates varies from time to time depending on the Bank of Botswana prime rate.

United States Dollars letter of credit facility limit of USD2million to be utilised for securing various guarantees in favour of Government of Botswana and fees for this facility will be based on 1% of the value of the guarantee issued.

Botswana Pula guarantee facility limit of P11million is to be utilised for issuance of various guarantees in favour of the Government of Botswana and fees for this facility will be based on 1% of the value of the guarantee issued.

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula

6. CASH AND CASH EQUIVALENTS (continued)

Credit Quality of Cash at Bank and Short Term Deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand are placed with reputed financial institutions which are registered in Botswana. The Board's bankers in Botswana are not rated but each of these banks are subsidiaries of major South African or United Kingdom registered institutions.

7. EQUITY AND RESERVES

Government Equity		
Equity Capital	27,455,061	27,455,061
	<u>27,455,061</u>	<u>27,455,061</u>

The Government equity represents the amount converted from the short term loan and long term loan as per Presidential Directive (CAB 30/2000 dated 14 September 2000).

Revaluation Reserve

Revaluation surplus representing the difference between carrying value and open market value of the properties credited directly to the revaluation reserve and amortised on a yearly basis directly to retained earnings to the extent of the difference between depreciation based on the revalued amount and depreciation based on original costs.

At the beginning of the year	58,316,041	71,161,444
Amortised during the year	(1,457,901)	(1,777,966)
Reversal of revaluation reserve	(275,636)	(11,067,437)
	<u>56,582,504</u>	<u>58,316,041</u>

Stabilisation Fund

The stabilisation fund represents the fund established by the Board in terms of Section 12 of the Botswana Agricultural Marketing Board Act 1974 (CAP: 74:06). This fund is created with the amount allocated by the Government and/or any amounts set aside by the Board from time to time. As per the provisions of Section 12, the maximum amount of stabilisation fund shall not exceed such amount as approved by the Government time to time, which is currently P 9,017,688. The amount credited to the stabilisation fund would be utilised to stabilise the prices paid for the scheduled produce; to meet any deficiency created by way of excess of expenditure over the revenues for each of the financial years or for such other purpose as approved by the Minister responsible for Agriculture and Minister responsible for finance.

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	2014 Pula	Year Ended 31 March 2013 Pula
7. EQUITY AND RESERVES (continued)		
At the beginning of the year	9,017,668	9,017,668
At end of the year	9,017,668	9,017,668
Development Fund		
The development fund represents the fund established by Board in terms of Section 13 of the Botswana Agricultural Marketing Board Act 1974 (CAP: 74:06). This fund is created with the amount allocated by the Government and/or any amounts set aside by the Board from time to time not exceeding an amount equivalent to two times of the tonnage of schedule produce handled by the Board in each of the financial years. The amount credited to the development fund would be utilised to meet any deficiency created by way of excess of expenditure over the revenues for each of the financial years or for various development programmes approved by the Minister responsible for Agriculture.		
At the beginning of the year	1,000,000	1,000,000
	1,000,000	1,000,000
8. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within 1 year	-	409,461
- in second to fifth year inclusive	-	-
	-	409,461
less: future finance charges	-	(5,803)
Present value of minimal lease payments	-	403,658
Present value of minimal lease payments due		
- within 1 year	-	403,658
	-	403,658
Finance lease payments made during the year	335,187	558,449
	335,187	558,449
Financial statement disclosure:		
Non-current liabilities	-	-
Current liabilities	-	403,928
	-	403,928

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	2014 Pula	Year Ended 31 March 2013 Pula
8. FINANCE LEASE OBLIGATION (continued)		
The Board has cleared its Botswana Pula lease facility of P4 million with Standard Chartered bank which was utilised specifically for acquisition of motor vehicles; with a maximum lease period of 5 years; which carried an interest rate of Bank's prime lending rate less 2% per annum and secured assets financed out of the lease.		
It is the Board's policy to lease some of its motor vehicles under finance leases. The board has cleared its lease.		
Assets subject to finance lease (Net carrying amount)		
Motor vehicles	-	2,181,330
9. DEFERRED INCOME		
Deferred income mainly relates to unexpended balance of grants received from the Government of Botswana for the refurbishment of storage facilities. No funds have been received this year.		
Opening balance	2,630,176	2,630,176
Utilised balance during the year	-	-
	2,630,176	2,630,176
10. DIVIDENDS PAYABLE		
Under the presidential directive Cab 40/2004, each parastatal which is not subject to tax on its profits is required to pay 25% of its annual profits as dividend to the Government. A dividend of P1,032,273 (2013: P522,899) will be paid to the Government since the Board made a profit.		
11. TRADE AND OTHER PAYABLES		
Trade payables	113,642,051	81,045,448
Payroll accruals	2,992,235	2,236,399
Cashbook overdraft	3,079	-
Dividends accrued	1,555,167	522,899
	118,192,532	83,804,746
The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Board for similar financial instruments. The trade and other payables attract no interest and settlement is normally done within 30 days.		

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula
12. PROVISIONS		
At the beginning of the year	329,156	1,000,830
Provision for probable legal losses charged during the year	696,736	(671,674)
At the end of the year	1,025,892	329,156

The provision relates to probable losses from current legal proceedings in which the Board is currently a party to. Due to the uncertainties surrounding the judgement of the legal proceedings the Board has provided for the probable legal losses based on consultations with the Board's legal counsel.

The provisions have been based on the advise received from the Board's attorneys which is in respect of probable losses expected to be incurred by the Board resulting from pending litigation cases. These cases comprise mainly the recovery of the Board's debts from impaired debtors. There are no are expected by the Board for any provisions that have been raised.

13. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Financial liabilities at amortised cost:

Finance lease obligations	-	403,658
Trade and other payables	118,192,532	84,327,645
	118,192,532	84,731,303

The carrying values of financial liabilities is deemed by the Board to approximate their fair values due to their short term nature.

14. REVENUE

Strategic Grain Reserve management fees	11,160,329	2,517,047
Sale of goods	198,660,900	172,495,122
	209,821,229	175,012,169

The Board houses stock of the Strategic Grain Reserve in its silos. The Board receives an administration fee from the Strategic Reserve for use of its silos and these administrative fees are included in the Strategic Grain Reserve management fees.

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula
15. COST OF SALES		
Cost of goods sold	161,224,751	129,225,629
Inventory losses and allowances	3,436,817	2,319,899
Transport subsidy received from Ministry of Agriculture	(4,349,705)	(3,499,990)
Distribution costs	8,013,517	11,060,009
Discounts received	(1,813,348)	(2,313,259)
	166,512,032	136,792,288
16. OTHER INCOME		
Rent received	1,583,399	1,614,372
Bad debt recovered	-	3,220
Sundry income	6,581	81,530
Bad debt provision recovered	9,272	509,427
	1,599,252	2,208,549

16.1 Operating lease - Board as a lessor

The Board has entered into commercial property leases on its Board's surplus office and warehouses. These cancellable leases have remaining terms of between five (5) and ten (10) years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under cancellable operating leases as at 31 March are as follows:

Within one year	293,570	286,020
After one year but not more than five years	7,389,560	17,563
More than five years	2,684,487	6,388,313
	10,367,617	6,691,896

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula
17. OPERATING PROFIT / (LOSS)	2,975,744	968,422
Operating profit (loss) for the year is stated after accounting for the following:		
Board members' sitting fees and expenses	75,710	85,769
Loss/(Profit) on sale of property plant and equipment	45,463	500,507
Deferred income utilised during the year	-	-
Rental income	(1,583,399)	(1,614,372)
Travelling and accommodation	2,344,115	1,775,306
(Profit)/Loss on foreign exchange	71,042	20,050
Repairs and maintenance	675,787	922,931
Telephone and fax	569,109	631,218
Office and general expenses	4,305,484	5,701,529
Motor vehicle expenses	733,476	404,385
Impairment of trade and other receivables	842,140	3,029,346
Advertising	942,256	613,147
Insurance	1,074,557	1,035,294
Security	1,109,028	1,055,049
Depreciation on property, plant and equipment	5,847,546	6,634,552
Employee costs	16,549,930	17,885,523
18. FINANCE INCOME		
Interest revenue		
Bank	1,462,615	1,420,678
Interest charged on trade and other receivables	-	113,174
Loans to employees	18,664	62,738
	1,481,279	1,596,590
19. FINANCE COSTS		
Bank	319,072	383,304
Finance leases	8,865	90,133
	327,937	473,437

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula
20. AUDITORS REMUNERATION		
Fees	143,920	368,689
Audit fee of the defined benefit pension fund	-	40,000
	143,920	408,689
21. COMMITMENTS		
Authorised capital expenditure		
Not yet contracted for and authorised by the board	6,500,000	7,741,000
The Board has approved the budgets for the commitments summarised below, however, specific contracts are not yet in place. The summary of the authorised expenditure is as follows:-		
Commitment		
Sunflower Oil Pressing Plant Project in Pandamatenga	-	-
Purchase of motor vehicles	-	241,000
Refurbishment of BAMB warehouses	6,500,000	7,500,000
	6,500,000	7,741,000

22. CONTINGENCIES

The Board has an uncommitted facility in place with its bankers, First National Bank Botswana Limited to issue guarantees/letters of credit whenever is required in the normal course of its business. The total guarantees outstanding as at the reporting date is P615,276 (2013: P 1,586,322). The Board has an uncommitted facility in place with its bankers, Standard Chartered Bank Botswana Limited to issue guarantees/letters of credit whenever is required in the normal course of its business. The total guarantees outstanding as at the reporting date is P0.00 (2013: P0.00).

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	2014 Pula	Year Ended 31 March 2013 Pula
23. RELATED PARTY DISCLOSURES		
Relationships		
Owner with significant influence	Government of Botswana	
Members of the Board	Refer to general information page	
Members of key management	E Ncaagae (Acting Chief Executive Officer)	
	S Masunga	
	G Gaebowe	
	L Kwelagobe	
	S Chikunyane	
	C Mokgoko	
All related party balances are unsecured and are settled on the normal business repayment terms of 30 days.		
Amounts included in Trade Payables regarding related parties:		
Government of Botswana - Strategic Grain Reserve	99,656,974	65,035,635
Amounts included in Trade Receivables regarding related parties		
Department of Crop Production	2,099,389	1,588,933
Department of Local Government Finance and Procurement	4,694,687	14,754,538
Ministry of Agriculture	-	-
Related party transactions		
Purchases from related parties		
Government of Botswana - Strategic Grain Reserve	60,189,200	8,489,417
Board member fee and expenses		
Sitting fees and expenses	75,710	85,769
Grants and fees received from Government of Botswana		
Strategic Grain Reserve management fees	11,160,329	1,003,431
Transport subsidy - Ministry of Agriculture	4,349,705	3,499,990

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	2014 Pula	Year Ended 31 March 2013 Pula
23. RELATED PARTY DISCLOSURES (continued)		
Sales to related parties		
Department of Crop Productions	42,194,189	34,670,404
Department of Local Government Finance and Procurement	1,970,368	14,945,981
Ministry of Agriculture	238,630	3,499,990
There were no related party doubtful debts recognised in the current year (2013: P0.00).		
Compensation of key management personnel		
Short term employee benefits	3,824,228	3,476,571
Gratuity and leave pay	3,149,482	2,237,604

25. RISK MANAGEMENT**Capital management**

The Board's objective when managing capital are to safeguard the board's ability to continue as a going concern in order to provide returns to owners and benefit other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Board consists of debt, which includes the overdrafts, finance lease obligations, cash and cash equivalents disclosed in note 6, and Government equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements. There has been no change in the way the Board manages its capital. The Board may approach the Government of Botswana for additional capital in the form of capital grants, subventions or deferred income as and when the need arises since the Board is a statutory corporation set up by an Act in the Parliament.

The Board monitors its capital structure through the use of gearing ratios, cost of capital calculations, and debt/equity ratios.

Financial risk management

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

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula

25. RISK MANAGEMENT (continued)

The Board's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Board's financial performance.

Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Board's liquidity risk arises due to its exposure to trade payables, overdrafts and financial leases. Significant part of its payables relate to amounts owed to Strategic Grain Reserve, a directive managed by the Board. The Board contemplates approaching Government with funding requirements. Board also has significant obligations on its employee benefit accruals such as leave pay and gratuity.

These liabilities are met out of the operational funds of the Board.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The Board is exposed to market risk, including primarily changes in interest rates and currency exchange rates. The Board does not hold or issue derivative financial instruments for trading purposes. The main risks arising from the Board's financial instruments are liquidity risk and credit risk on other receivables.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March, 2014	Not later than 1 month	Between 1 & 3 months	Between 3 months & 1 year
Trade and other payables	16,679,114	111,553	100,369,616
Finance lease obligations	-	-	-

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula

25. RISK MANAGEMENT (continued)

At 31 March, 2013	Not later than 1 month	Between 1 & 3 months	Between 3 months & 1 year
Trade and other payables	39,799,682	6,485	41,239,321
Finance lease obligations	-	-	403,658

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Board is exposed to interest rate risk on balances maintained with its bankers and also overdraft facilities with them. The management liaise with its bankers to make use of the optimal interest rate that is applicable.

At 31 March, 2014, if interest rates on Pula-denominated borrowings had been 0.50% higher/lower with all other variables held constant, profit for the year would have been P71,397 (2013: P20,777) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than one years	Due in more than two years
Trade and other receivables	10.50%	73,907,801	-
Short term deposits	5.85%	26,116,598	-
BWP call deposits	2.50%	18,510,666	-
Lease loans	11.5%	-	-
Interest charged on overdraft	8.50%	3,079	-

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula

25. RISK MANAGEMENT (continued)

Credit risk

The Board is exposed to credit risk on its trade and other receivables, cash and cash equivalents and loans to its employees. The management evaluate the credit worthiness of its customers before a credit facility is granted.

Also, many of the customers of the Board comprise of departments of Government of Botswana and her ministries. Cash and bank balances are placed with reputable financial institutions. Frequent management meetings are held to determine the exposure limit to or fund placement with any particular bank. Banks in Botswana are not rated but are subsidiaries of reputed and rated banks of Republic of South Africa and the United Kingdom.

The table below shows the maximum credit risk exposure on the Board's financial assets.

Financial instrument

Trade receivables	68,152,977	14,925,848
Cash and cash equivalents	44,705,837	41,554,940

The Board does not hold any collateral as security.

Foreign exchange risk

The entity is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The entity does not hedge foreign exchange fluctuations.

Calculation of 5% movement in foreign exchange rate (ZAR):

1.20	1,057,541	1,057,025
1.20	2,251,624	69,301
	3,309,165	1,126,327

Calculation of 5% movement in foreign exchange rate (USD):

0.12	-	-
	-	-

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula

25. RISK MANAGEMENT (continued)

At 31 March, 2014, if the currency weakened by 5% against the South African Rands with all other variables held constant, profit for the year would have been P63,580 (2013: P640,650 higher) lower, mainly as a result of foreign exchange gains or losses on translation of South African Rands denominated financial assets and financial liabilities.

At 31 March, 2014, if the currency weakened by 5% against the United States Dollar with all other variables held constant, profit for the year would have been Pnil (2013: P9,515 higher) lower, mainly as a result of foreign exchange gains or losses on translation of United States Dollars denominated financial assets and financial liabilities.

Foreign current exposure at the end of the reporting period

Current assets

Cash and cash equivalents, USD0.00 (2013: USD6,325)	-	44,544
Cash and cash equivalents, ZAR602 (2013:317,920)	516	292,073

Liabilities

Trade payables, ZAR2,707,127 (2013: ZAR 2,644,731)	2,320,925	2,080,293
Trade payables, USD0.00 (2013: USD 0,00)	-	-

Exchange rates used for conversion of foreign items were:

USD	0.0000	0.1170
ZAR	1.1664	1.1540

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula

25. RISK MANAGEMENT (continued)

Determination of fair values and fair values hierarchy

The following table shows an analysis of items recorded or disclosed fair value:

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

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

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

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

The following table represents the company's assets and liabilities that are measured at fair value as at 31 March 2014

Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2014:

	Fair value measurement using				
	Date of Valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair value
Investment properties					
- Physical properties	31-Mar-12	-	-	11,114,640	11,114,640
Property, plant and equipment					
- Land and buildings	31-Mar-12	-	-	53,730,261	53,730,261
- Furniture and fixture	31-Mar-12	-	-	502,171	502,171
- Motor vehicles	31-Mar-12	-	-	4,646,029	4,646,029
- Plant and machinery	31-Mar-12	-	-	2,044,013	2,044,013
				72,037,114	72,037,114

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula

25. RISK MANAGEMENT (continued)

Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2013:

	Date of Valuation	Quoted prices in active markets (Level 1)	Fair value measurement using		Total Fair value
			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investment properties					
- Physical properties	31-Mar-12	-	-	11,114,640	11,114,640
Property, plant and equipment					
- Land and buildings	31-Mar-12	-	-	55,178,046	55,178,046
- Furniture and fixture	31-Mar-12	-	-	681,839	681,839
- Motor vehicles	31-Mar-12	-	-	7,982,115	7,982,115
- Plant and machinery	31-Mar-12	-	-	2,300,117	2,300,117
				77,256,757	77,256,757

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or industry group, and those prices represent actual and regularly occurring market transactions on an arms length basis. These instruments are included in level 1.

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula

25. RISK MANAGEMENT (continued)

Determination of fair values and fair values hierarchy

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) are determined by using valuation techniques to maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 valuation

Investment Properties - Refer to accounting policy note 16 on how fair value is determined.

Property, plant and equipment - Refer to note 2b on the how the fair value is determined.

If one or more of the significant inputs is not based on observable market data, the asset is included in level 3.

Reconciliation of movements in level 3 financial instruments measured at fair value	Investment Properties	Land & Buildings	Furniture & Fixtures	Motor Vehicles	Plant & Machinery
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Level 3 Financial Assets

31 March 2014

Balance	11,114,640	53,730,261	502,171	4,646,029	2,044,013
Adjusted due to IFRS 13	-	-	-	-	-
Total gains/(loss) in comprehensive income	-	-	-	-	-
Acquisitions	-	-	-	-	-
Settlements/ Repayments	-	-	-	-	-
	11,114,640	53,730,261	502,171	4,646,029	2,044,013

Botswana Agricultural Marketing Board Annual Financial Statements for the year ended March 31st 2014

Notes to the Financial Statements (cont.)

	Year Ended 31 March	
	2014 Pula	2013 Pula

25. RISK MANAGEMENT (continued)

23.5 (c) Valuation techniques used in determining the fair value of financial instruments

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable input
Properties	3	Discounted cash flow model (DCF)	Consumer Price index	Capitalisation rate
Furniture and fixtures	3	Management assessment of useful life and replacement costs	Useful life Replacement costs	Useful life
Motor vehicles and plant and machinery	3	The cost approach, which reflects the amount that would be required currently to replace the service capacity of an asset	Consumer Price index	N/A

26. Subsequent events after reporting date

There have been no events, facts or circumstances of a material nature that have occurred subsequent to the reporting date which necessitate an adjustment to the disclosure in these Annual Financial Statements or the notes thereto.

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