



BAMB

BOTSWANA AGRICULTURAL
MARKETING BOARD

ANNUAL
REPORT 2017

FEEDING THE NATION
FOR GREATER FUTURE





This report is a highlight of how **Botswana Agricultural Marketing Board** is aiming to providing stable grain market that is efficient and fair, in support of national food security for customers

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OVERVIEW

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 a stable grain market that is efficient and fair in support of national food security

VALUES

- Innovation
- Integrity
- Teamwork
- Efficiency

COUNTRYWIDE BRANCHES

HEAD OFFICE

Private Bag 0053
Gaborone
Tel: 395 1341
Fax: 395 2926
Gaborone

GABORONE BRANCH

Plot 14395
New Lobatse Rd
G/ West Industrial
Next to Cashbuild
Gaborone
Tel: 392 2826/ 316 2039
Fax: 318 2461

FRANCISTOWN BRANCH

(Dumela Industrial)
P O Box 649, Francistown
Tel: 241 3886/241 9546
Fax: 241 3672

SELIBE PHIKWE BRANCH

Private Bag 15, Selibe-Phikwe
Tel: 261 0455
Fax: 261 1810

MAUN BRANCH

P O Box 383, Maun
Tel: 686 0392
Fax: 680 0978

SEROWE BRANCH

Private Bag Rs 1, Serowe
Tel/Fax: 463 0291
Rasebolai

PANDAMATENGA BRANCH

P.O Box 107, Kasane
Tel: 623 2013
Fax: 623 2204

KANYE BRANCH

P.O Box 594, Kanye
Tel: 540 3316
Fax: 544 0644

PALAPYE BRANCH

P O Box 151, Palapye
Tel: 492 0291
Fax: 490 0291

MAHALAPYE BRANCH

P O Box 439, Mahalapye
Tel: 4710249
Fax: 4720351

PITSANE BRANCH

P O Box 439, Pitsane
Tel: 548 6205/
540 7292
Fax: 540 7164

MOSHUPA BRANCH

P O Box 244, Moshupa
Tel: 5449232
Fax: 5449205

TUTUME BRANCH

Tel: 247 0005

JWANENG BRANCH

Tel: 588 3311

HUKUNTSI BRANCH

Tel: 651 0343

MOLEPOLOLE BRANCH

Tel: 590 6050

SALES OFFICES

- Mochudi Sales Office
- Lobatse Sales Office
- Goodhope Sales Office
- Takatokwane Sales Office
- Letlhakeng Sales Office
- Nata Sales Office
- Letlhakane Sales Office
- Rakops Sales Office
- Bobonong Sales Office
- Masunga Sales Office
- Ghanzi Sales Office
- Gumare Sales Office
- Shakawe Sales Office
- Sehitwa Sales Office
- Kasane Sales Office
- Machaneng Sales Office
- Francistown Sales Office
- Tsabong Sales Office
- Middlepits Sales Office
- Werda Sales Office
- Bokspits Sales Office
- Kang Sales Office

OUR PRODUCTS AND SERVICES

BAMB OFFERS THE FOLLOWING TO THE FARMING COMMUNITY AND CONSUMERS:

PRODUCTS

AGRICULTURAL PRODUCE

Buying, packaging, processing and selling locally grown produce such as; cereals, cowpeas and beans and oilseeds.

PROCESSED FOODS

Mosutlhane which is dehulled sorghum grain with no preservatives. Ntlatlawane is sorghum whole meal with no preservatives.

AGRICULTURAL FARMING INPUTS

BAMB sells different types of fertilizers; hybrid seeds, vegetable seeds, agrochemicals and packaging materials for agricultural produce.

ANIMAL FEED

BAMB stocks a wide range of animal feed for cattle, poultry, piggery, and small stock.

VETERINARY SERVICES

BAMB provides advisory role to the livestock farming community and sells veterinary requisites. BAMB sells a broad range of vaccines, dips, dewormers, antibiotics. Veterinary instruments, antibiotics, mineral and vitamin supplements .

SERVICES

CUSTODIANS OF GOVERNMENT STRATEGIC GRAIN RESERVE

BAMB is contracted by the Government of Botswana to manage the Strategic Grain Reserve (SGR) for national food security purpose. BAMB has been managing and maintaining the Government SGR for more than twenty (20) years. The SGR holds 70 000Mt comprising 30 000Mt of sorghum, 30 000Mt of maize and 10 000Mt of beans.

PRODUCT DEVELOPMENT AND MARKET INFORMATION:

BAMB provides guidance in product market development for locally grown rain fed produce and also informs farmers on market conditions ahead of planting to guide them to plan their production as well as to access financial support from leading institutions. The information imparted to farmers typically includes crops that the market demands, price projections and other market opportunities in the grain market.

CONTRACT FARMING:

Under this scheme BAMB identifies a market for a particular crop and contracts farmers to produce and supply BAMB with crops such as sorghum, maize,

cowpeas or beans at agreed price and quantities prior to planting. This helps to minimize farmers exposure to price risks due to price fluctuations dictated by market conditions, hence empowering local farmers to commercialize their arable farming operations. This arrangement facilitates forward buying and selling of commodities well ahead of delivery of the physical commodity. This facility is open to any farmer who produces locally provided he can produce 10Mt or more per crop. Small farmers can combine their produce to meet the minimum of 10Mt.

The Benefits include amongst others:

- The contract price offered are the minimum, they offer 100% guarantee on a minimum price for the product. In instances where buying (market) prices drop during harvest season, the farmer's income is secured.
- The producer also benefits if market prices rise above the contract price because BAMB will pay the higher of the two at delivery time.
- It gives the farmers the opportunity to budget and plan their farming operations well on time.
- On delivery, the producer is paid promptly (ie within 7 days).

BOARD MEMBERS

Mr Jacob Van Der Westhuizen
BOARD MEMBER

Dr Gloria Somolekae
BOARD CHAIRPERSON

Ms Ruth Mphathi
BOARD MEMBER

Dr Keogile F. Molapong
BOARD MEMBER

Mr Modisa Kebonyemodisa
BOARD MEMBER

Mr Duke Masilo
BOARD MEMBER

Dr Edwin Dikoloti
BOARD MEMBER



MANAGEMENT TEAM

CORNELIUS MOKGOKO
OPERATIONS MANAGER



THABO SEITSHIRO
MARKETING MANAGER



EDISON N. WOTHO
CHIEF EXECUTIVE OFFICER



ELVIS NCAAGAE
FINANCE MANAGER



SHIRLEY CHIKUNYANA
ACTING INTERNAL AUDITOR



KEEFENTSE GAEBOWE
HUMAN RESOURCE & ADMINISTRATION MANAGER



DR OBAKENG N. KEMOLATLHE
VETERINARIAN



CHAIRPERSON'S STATEMENT



The Honorable Patrick Pule Ralotsia MP
Ministry of Agriculture
Private Bag 003
Gaborone

Sir

Total revenue increased by 20.5% during 2016/2017 financial year. Total revenue has shown significant growth for Botswana Agricultural Marketing Board (BAMB) from P332 million in 2016 to P400.7 million. This year's growth in revenue was mainly attributed to sale of animal feeds, veterinary medicines, which for the first time were the major contributor to total sales. The board experienced a decline in profit as compared to the year ending March 2016 and recorded a profit of P19, 959, 41 in March 2017.

As a major player in ensuring food security for the nation, the Board continues to diligently manage the government Strategic Grain Reserve (SGR) at the required level of 70,000 Mt comprising of 30,000 Mt of Sorghum, 30,000 Mt of Maize and 10,000 Mt of beans.

As required by Section 16 subsection (3) of the Botswana Agricultural Marketing Board Act, Cap 74:02 the Board has the honor of submitting the Forty fourth Annual Report and the accounts for the year ended 31st March 2017.

The accounts were approved by the Board of Directors at its meeting held on the 20th December 2017.

DR GLORIA SOMOLEKAE
BOARD CHAIRPERSON



CHIEF EXECUTIVE OFFICER'S REPORT

PERFORMANCE

a) Financial Performance - Revenue

Botswana Agricultural Marketing Board has recorded a growth in operational revenue of 20.5% from P332.4 million in 2016 to P400.7 million in 2017.

	2012/2013		2013/2014		2014/2015		2015/2016		2016/2017	
Sale of goods	172,495,122	99.50%	198,660,900	94.7%	267,727,541	96%	318,524,795	96%	386,206,519	96%
SGR Management Fees	1,003,431	1%	11,160,329	5.3%	10,893,832	4%	13,835,894	4%	14,464,482	4%
	175,012,169	100%	209,821,229	100%	278,621,373	100%	332,360,689	100%	400,671,002	100%

b) Sales Summary

Total grains captured 47% of Boards revenue during 2016/17 financial year. Sorghum is the leading grain contributor to revenue with 22% of sales. Millers purchases are attributable to good sorghum sales even though there is a decline compared to the previous year's sales. The government of Botswana through the school feeding programme is the major consumer of pulses hence the 21% contribution to total sales.

Product	2012/2013		2013/2014		2014/2015		2015/2016		2016/2017	
	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales
Sorghum	54,537,345.14	32%	148,343,606.08	70.70%	50,868,233	19%	113,002,634.26	34%	89,950,640	22%
Pulses	6,103,179	4%	11,414,274.64	5.44%	56,222,784	21%	56,501,317.13	17%	85,583,326	21%
Sunflower	39,075,528	23%	-	0%	40,159,131	15%	3,323,606.89	1%	80,134	0%
Millet	-	-	-	-	-	-	-	-	1,081,812	0.27%
Maize	10,136,662	6%	15,023,199.71	7.16%	26,772,754	10%	33,236,068.90	10%	11,659,526	2.91%
	109,852,714	65%	174,781,080.43	83.30%	174,022,902	65%	206,063,627	62%	188,355,438	47.01%

Agricultural Inputs:

Feeds are the major contributor to total sales with 24.3%. The government of Botswana through the drought subsidy programme contributed immensely to the feed sales. BAMB branches to 39 outlets during the reporting period, giving a country wide representation and this is another factor on high feed sales. The board was awarded a contract to supply the ministry of Agriculture with seeds for the ISPAAD programme during the 2016/17 financial period. The seeds sales increased by 3.95% from the previous year and finished the year with 9.95% contribution to total sales.

CHIEF EXECUTIVE OFFICER'S REPORT cont.

Product	2012/2013		2013/14		2014/2015		2015/2016		2016/2017	
	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales
Veterenaries	-	-	-	-	-	-	-	-	33,576,230	8.38%
Ploughing Equipment	-	-	-	-	-	-	-	-	560,939	0.14%
Fisheries	-	-	-	-	-	-	-	-	841,409	0.21%
Fertilizer & Chemicals	39,649,684	23%	6,399,547.36	3.05%	37,481,856	14%	49,854,103.35	15%	37,783,275	9.43%
Seeds	8,856,127	5%	5,434,369.73	2.59%	34,804,580	13%	19,941,641.34	6%	39,866,765	9.95%
Feeds	9,370,326	5%	12,715,166.24	6.06%	8,031,826	3%	49,854,103.35	15%	97,483,255	24.33%
Packaging Material & Others	4,766,270	2%	10,491,061.25	5%	13,386,377	5%	6,647,213.78	2%	2,203,691	0.55%
	62,642,408	35%	35,040,144.58	16.70%	93,704,639	35%	126,297,062	38%	212,315,564	52.99%

c) Grain Purchases

During the 2016/2017 harvesting season, a total of 39,657 Mt of grains were purchased. It is of interest to see that production of pulses has been growing over the past four ploughing seasons. The Botswana government subsidy on production of beans has contributed positively to this beans exponential growth over the past four years.

OPERATIONAL PERFORMANCE

i) Producer Prices

During the financial year the average buying price increased as compared to what the board was offering farmers in the previous year. The producer price for cowpeas and beans is was still kept at P14000/Mt as per the government of Botswana production subsidy to farmers. The Maize prices shot to highs of P3000/Mt during the reporting period.

CHIEF EXECUTIVE OFFICER'S REPORT cont.

PRODUCT	PRODUCER AND CONTRACT PRODUCTION PRICE (Pula/Mt)					
	2010/2011	2012/2013	2013 / 2014	2014/2015	2015/2016	2016/2017
Sorghum	1,300 - 1,700	2,222 - 2,950	2,500 - 2,900	1,850 - 2,550	2,000 - 2,700	2,450 - 2,700
Millet	2,600 - 3,000	2,600 - 2,600	1,700 - 2,000	1,700	2,000 - 2,750	3,000
Maize (White/Yellow)	1,100 - 1,420	1,789 - 2,600	1,880 - 1,900	1,600 - 1,800	2,070 - 2,500	2,200 - 3,000
Sunflower	1,702 - 3,150	3,523 - 4,560	3,200 - 4,000	2,850 - 3,200	1,745 - 2,817	2,817
Groundnuts & Jugo Beans	8,000 - 8,000	8,400 - 8,800	9,900 - 9,900	9,200 - 9,900	10,000 - 12,000	12,000
Cowpeas and Beans	6,000 - 7,200	7,200 - 14,000	14,000 - 14,000	5,850 - 14,000	14,000 - 14,000	14,000

Botswana production subsidy to farmers. The Maize prices shot to highs of P3000/Mt during the reporting period

ii) Contract Farming

A record total of 400 farmers signed up for contract farming during the financial year, this is a a more than 100% uptake of contract farming as compared to the previous year. More than half of the farmers coming from the Pandamatenga area. It is of interest to note that the increase in Pandamatenga farmers is from small scale farmers who now understand the benefits of contract farming.

	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Contracted Quantities (Mt)	40,479	15,735	68,094	43,774	31,138	74,569
Number of Farmers	80	46	183	209	190	400
Pandamatenga/ Northern	28	13	40	53	154	209
Southern Farmers	52	33	143	156	36	191

CHIEF EXECUTIVE OFFICER'S REPORT cont.

HUMAN RESOURCE MANAGEMENT

One Executive Manager, Head – Veterenary joined the Board during the year.

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.

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.

- 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.

- 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.

Member	Main Board of Directors meeting		Finance & Audit Committee		Human Resource Committee		Tender Committee		Branding Committee	
	Maximum possible	Attended	Maximum possible	Attended	Maximum possible	Attended	Maximum possible	Attended	Maximum possible	Attended
D. Tibe	-	1	-	-	-	-	-	-	-	-
R. Mphathi	-	2	-	1	-	-	-	1	-	-
K.N. Binns	-	-	-	-	-	-	-	-	-	-
T. Phuthego	-	-	-	1	-	-	-	1	-	-
O.S Nkoane	-	1	-	-	-	-	-	1	-	-
M. Keaja	-	-	-	-	-	-	-	-	-	-
S. Motsamai	-	-	-	-	-	-	-	-	-	-
JJ Van Der Westhuizen	-	2	-	-	-	-	-	-	-	-
Dr E. Dikoloti	-	2	-	-	-	-	-	-	-	-
Col. D. Masilo	-	-	-	-	-	-	-	-	-	-
Dr Molapong	-	1	-	-	-	-	-	-	-	-
Dr Gloria Somolekae	-	1	-	-	-	-	-	-	-	-
Mr M. Kebonyemodisa	-	1	-	-	-	-	-	-	-	-

EDISON N. WOTHO
Chief Executive Officer



Botswana Agricultural Marketing Board

AUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

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BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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	Dr Gloria Somolekae (Chairperson) R Mphathi (Deputy Chairperson) J Van Der Westhuizen Dr E Dikoloti C D Masilo Dr K F Molapong M Kebonyemodisa
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:	Ernst & Young 2nd 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

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

THE BOARD' RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Board is responsible for the preparation of the Annual Financial Statements of the Botswana Agricultural Marketing Board and all other information presented therewith. Their responsibility includes maintenance of financial records and the preparation of Annual Financial Statements in accordance with the International Financial Reporting Standards and in the manner required by the Botswana Agricultural Marketing Board Act (Chapter 74:06).

The Botswana Agricultural Marketing Board maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse of Botswana Agricultural Marketing Board's assets. According to the Botswana Agricultural Marketing Board Act (Chapter 74:06), the Botswana Agricultural Marketing board appoints the External Auditor but the Board is also responsible for providing policy and reviewing the design, implementation, maintenance and monitoring of the systems of internal control.

The Independent Auditors are responsible for giving an independent opinion on the Annual Financial Statements based on their audit of the affairs of the Botswana Agricultural Marketing board.

After making enquiries the Board has no reason to believe that the Botswana Agricultural Marketing board will not be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these Annual Financial Statements based on forecasts, available cash resources and continued support of the Government of the Republic of Botswana.

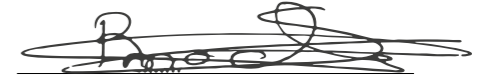
The Board is satisfied that Management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the Annual Financial Statements, to safeguard the assets of the Botswana Agricultural Marketing board and to ensure that all transactions are duly authorised.



DIRECTOR

DATE

15 January 2018



DIRECTOR

DATE

15 January 2018

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BOTSWANA AGRICULTURAL MARKETING BOARD



Firm of Chartered Accountants 2nd Floor
Plot 22, Khama Crescent
PO Box 41015
Gaborone, Botswana

Tel: +267 397 4078 / 365 4000 Fax: +267 397 4079
Email: eybotswana@za.ey-com
Partnership registered in Botswana
Registration No: 10829
VAT No. P03B25401112
www.ey.com

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Botswana Agricultural Marketing Board set out on pages 26 to 71, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Botswana Agricultural Marketing Board as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Agricultural Marketing Board Act (Chapter 74:06).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Botswana Agricultural Marketing Board in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Botswana Agricultural Marketing Board. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Botswana Agricultural Marketing Board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of directors are responsible for the other information. The other information comprises the Corporate Governance report, Chairperson's Statement, Chief Executive Officer's Statement, the Board Responsibility and Approval of Annual Financial Statements and the Annual Report as required by the Botswana Agricultural Marketing Board Act (Chapter 74:06) of Botswana, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Commissioners for the Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of the 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 Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Board of Directors are responsible for assessing the Botswana Agricultural Marketing Board ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Botswana Agricultural Marketing Board or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Botswana Agricultural Marketing Board's financial reporting processes.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

INDEPENDENT AUDITOR'S REPORT cont.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Botswana Agricultural Marketing Board's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Botswana Agricultural Marketing Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Botswana Agricultural Marketing Board to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

Ernst & Young
Practising Member: Bakani Ndwapi
Partner
Membership Number: 19980026
Certified Auditor
Gaborone

DATE
16 January 2018

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF FINANCIAL POSITION

	NOTES	YEAR ENDED 31 MARCH	
		2017 PULA	2016 PULA
ASSETS			
Non current assets			
Property, plant and equipment	2.1	84,350,113	84,294,081
Investment property	2.2	24,180,000	25,810,000
		108,530,113	110,104,081
Current assets			
Inventories	4	163,420,181	146,777,087
Trade and other receivables	5	156,819,742	74,061,325
Cash and cash equivalents	6	11,744,097	9,261,474
		331,984,020	230,099,886
TOTAL ASSETS		440,514,133	340,203,967
EQUITY AND LIABILITIES			
Equity			
Government equity	7	27,455,061	27,455,061
Reserves	7	88,298,785	90,304,896
Retained earnings		67,803,562	45,838,038
Total equity		183,557,408	163,597,995
Current liabilities			
Bank Loan	8	78,420,952	60,257,317
Bank overdraft	11	85,134,653	37,074,904
Trade and other payables	11	78,953,579	64,755,115
Deferred income	9	13,384,293	13,455,281
Provisions	12	1,063,247	1,063,247
		256,956,724	176,605,864
TOTAL LIABILITIES		256,956,724	176,605,864
TOTAL EQUITY AND LIABILITIES		440,514,133	340,203,967

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF COMPREHENSIVE INCOME

	NOTES	YEAR ENDED 31 MARCH	
		2017 PULA	2016 PULA
Revenue	14	400,671,002	332,360,689
Costs of sales	15	(316,631,787)	(249,699,487)
Gross Profit		84,039,215	82,661,202
Other income	16	48,885,705	14,274,635
Operating expenses	17	(94,092,475)	(57,752,409)
Operating (loss) / profit		38,832,445	39,183,427
Finance income	18	258,780	344,693
Finance costs	19	(13,680,735)	(5,486,496)
Profit for the year before tax		25,410,491	34,041,625
Income tax expense		5,451,077	-
Profit for the year after tax		19,959,414	34,041,625
Other comprehensive income:			
Gains and losses on property revaluation		-	-
Other comprehensive income (loss) for the year		-	-
Total Comprehensive income		19,959,414	34,041,625

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF CHANGES IN EQUITY

	Notes	Government Equity	Revaluation Reserve	Stabilisation Fund	Development Fund	Retained Earnings	Total Equity
As at 01 April 2016		27,455,061	80,287,228	9,017,668	1,000,000	45,838,038	163,597,995
Profit for the period		-	-	-	-	19,959,414	19,959,414
Total comprehensive income		-	-	-	-	19,959,414	19,959,414
Dividends		-	-	-	-	-	-
Depreciation transfer		-	(2,006,110)	-	-	2,006,110	-
As at 31 March 2017		27,455,061	78,281,117	9,017,668	1,000,000	67,803,562	183,557,408
As at 01 April 2015		27,455,061	82,590,774	9,017,668	1,000,000	15,615,773	135,679,276
Profit for the period		-	-	-	-	34,041,625	34,041,625
Total comprehensive income		-	-	-	-	34,041,625	34,041,625
Dividends		-	-	-	-	(6,122,907)	(6,122,907)
Depreciation transfer		-	(2,303,546)	-	-	2,303,546	-
As at 31 March 2016		27,455,061	80,287,228	9,017,668	1,000,000	45,838,038	163,597,995

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF CASH FLOWS

	NOTES	YEAR ENDED 31 MARCH	
		2017 PULA	2016 PULA
Cash flows from operating activities			
Profit / (Loss) for the year		19,959,414	34,041,625
Adjustments for:			
Depreciation	2	6,609,360	4,795,264
Deferred income utilised during the year	9	(70,988)	(246,420)
(Gain)/Loss on foreign exchange		-	(105,612)
Loss/(Profit) on sale of assets		-	(105,612)
Finance income	18	(258,780)	(344,693)
Finance costs	19	13,680,735	5,486,496
Loss/ (gain) on revaluation		1,630,000	(11,875,000)
Changes in working capital:			
Increase in inventories		(16,643,094)	(64,301,191)
Increase in trade and other receivables		(82,758,417)	(13,555,852)
Increase/(Decrease) in trade and other payables		14,198,464	(3,384,718)
Cash generated from operations		(43,653,306)	(49,490,102)
Interest received	17	258,780	344,693
Interest paid		(13,680,735)	(5,486,496)
Net cash from operating activities		(57,075,261)	(54,631,904)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(5,276,919)	(10,356,693)
Work in progress	2	(1,388,580)	-
Proceeds from disposal of property, plant and equipment		-	306,000
Receipt of Government grant		-	12,000,000
Net cash used in investing activities		(6,665,499)	1,949,307
Cash flows from financing activities			
Cash received from borrowings		160,000,000	105,529,457
Loan repayments		(141,836,365)	(48,866,824)
Net cash flows used in financing activities		18,163,635	56,662,633
Net increase in cash and cash equivalents		(45,577,124)	3,980,036
Cash and cash equivalents at beginning of year		(27,813,430)	(31,793,590)
Cash and cash equivalents at end of the year		(73,390,557)	(27,813,430)

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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.

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

2 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 determined based on current facts and circumstances that it is probable that there will be cash outflows resulting from pending litigation cases and has therefore 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

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 2017. 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).

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

2 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. 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 2017, the properties' fair values are based on valuations performed by, an accredited independent local valuer.

Significant unobservable valuation input:	Range
Price per square metre	P20 - P50

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

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. Repairs and maintenance costs are not included in the carrying amount of the asset, the Board recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost incurred meet the recognition criteria stated above. 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. 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

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

3. Property, plant and equipment (continued)

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 derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. 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 derecognition 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.

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

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.

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

4 Financial instruments (continued)

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. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short term deposits net of outstanding bank overdrafts as they are considered an integral part of the Board's cash management.

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

4 Financial instruments (continued)

4.9 Derecognition

The Board derecognises financial assets ;

- 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 derecognises 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.

5 Taxation

Under the amended Income Tax Act 14 of 2015 Botswana Agricultural Marketing Board is required to pay Income Tax.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

6 Leases

6.1 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.

6.2 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 other income in profit and loss.

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

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

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.

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

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 asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

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.

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

12 Provisions and contingencies (continued)

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

13 Revenue

The Board is mandated to provide a market for scheduled produce of crops such as cereals, pulses and oilseeds and to ensure that adequate supplies exist for sale to customers at affordable prices. The Board sets purchase and selling prices for produce. The Board also manages the Strategic Grain Reserve on behalf of Botswana Government and charges Government management fees.

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

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.

Service fees including management fees from 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 the managing the reserves of the Strategic Grain Reserve.

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

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

15 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 other income 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 derecognition.

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.

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

18 New and amended standards and interpretations

Standards issued but no impact on BAMB

There are a number of standards that became effective during the year however none had any impact on the Board.

Standards issues but not effective in the current year

Below is a list of new standards, amendments to existing standards and interpretations that are not yet mandatorily effective for the year ended 31 March 2017. BAMB anticipates that all of the Standards and Interpretations will be adopted in its financial statements for the period commencing 1 January 2018 or later as and when these Standards and Interpretations become applicable. The scope, effective dates and the impact on the financial statements upon their adoption of the above Standards and Interpretations are discussed below.

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

The adoption of IFRS 9 will have an effect on the classification and measurement of the financial assets, but no impact on the classification and measurement of the BAMB's financial liabilities. Management is the process of assessing the impact on the values of financial assets.

Standards issued but no impact on BAMB

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

18 New and amended standards and interpretations (continued)

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. It also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Board is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases (effective date is for periods beginning on or after 1 January 2019)

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17: Leases and the related interpretations when it becomes effective. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating as cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16. This will have minimal impact on BAMB, because as of 31st March there were no leases where BAMB was the lessee.

IAS 40 Transfers of Investment Property

Effective for annual periods beginning on or after 1 January 2018, the amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

18 New and amended standards and interpretations (continued)

IAS 40 Transfers of Investment Property (continued)

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of .Management has no intention to change the use of its property.

There are other amendments to IFRSs that are not yet effective but are not likely to have any material impact on the Board and have therefore not been included above.

Standards issued but no impact on BAMB

IAS 7 Disclosure Initiative - Amendments to IAS 7

Effective for annual periods beginning on or after 1 January 2017. The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

	Land and Buildings	Furniture and Fixtures	Motor vehicles	Plant and Machinery	Total Pula
2.1 PROPERTY, PLANT AND EQUIPMENT					
2017					
Cost					
At beginning of year	88,085,549	1,541,478	12,568,226	9,782,003	111,977,255
Merged assets - From WIP	1,388,580	-	-	-	1,388,580
Additions	135,189	172,899	(1)	4,968,832	5,276,919
At end of year	89,609,318	1,714,377	12,568,225	14,750,835	118,642,754
Accumulated Depreciation					
At beginning of year	11,005,684	919,203	9,947,484	5,810,804	27,683,174
Charge for the year	3,536,928	258,433	985,001	1,829,120	6,609,481
At end of year	14,542,612	1,177,635	10,932,484	7,639,924	34,292,656
Carrying amount					
At beginning of year	77,079,865	622,275	2,620,742	3,971,199	84,294,081
At end of year	75,066,706	536,741	1,635,740	7,110,911	84,350,098
2016					
Cost					
At beginning of year	77,480,152	1,048,676	11,115,456	6,984,860	96,629,144
Merged assets - From WIP	3,134,430	-	-	4,747	3,139,177
Additions	4,950,967	492,802	2,120,527	2,792,396	10,356,693
Disposals	-	-	(667,758)	-	(667,758)
Reclassification from Investment Property	2,520,000	-	-	-	2,520,000
At end of year	88,085,549	1,541,478	12,568,226	9,782,003	111,977,255
Accumulated Depreciation					
At beginning of year	8,285,982	676,454	9,757,345	4,635,499	23,355,280
Charge for the year	2,719,702	242,749	657,508	1,175,305	4,795,264
Disposals	-	-	(467,370)	-	(467,370)
At end of year	11,005,684	919,203	9,947,484	5,810,804	27,683,174
Carrying amount					
At beginning of year	69,194,170	372,222	1,358,111	2,349,361	73,273,864
At end of year	77,079,865	622,275	2,620,742	3,971,199	84,294,081

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	Land and Buildings	Furniture and Fixtures	Motor vehicles	Plant and Machinery	Total Pula
2.1 PROPERTY, PLANT AND EQUIPMENT (continued)					
If property, plant and equipment were measured using the cost model, the carrying amounts would be as follows:					
2017					
Cost	89,609,318	1,714,377	12,568,225	14,750,835	118,642,755
Accumulated depreciation and impairment	(77,079,865)	(1,177,635)	(10,932,484)	(7,639,924)	(96,829,910)
Net carrying amount	12,529,453	536,741	1,635,740	7,110,911	21,812,845

Revaluation of assets during the 2017 financial year

Property, plant and equipment were not revalued by the Board as they were valued effective 31 March 2015 the carrying amount of these assets does not differ materially from their fair value at the Statement of Financial Position date.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	31 MARCH 2017	31 MARCH 2016
2.2 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 fair value is based on the valuation carried by Realreach International Property Consultants the who are professional valuers and have been doing the work of property valuation for the last 35 years.		
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.		
Opening balance at 1 April	25,810,000	16,455,000
Net gain/ (loss) from fair value adjustment	(1,630,000)	11,875,000
Reclassified as property, plant and equipment	-	(2,520,000)
Closing balance	24,180,000	25,810,000
Rental income derived from investment properties	1,935,484	1,932,926
Profit arising from investment properties	1,935,484	1,932,926

Description of valuation techniques

Commercial properties

Valuation technique

DCF method

Significant unobservable input

Estimated rental value per square metre(sqm) P20 - P50

Growth rate - 7.5%

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

2.2 INVESTMENT PROPERTY (continued)

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 WORK IN PROGRESS

The Board conducted office expansions in Moshupa and Mahalapye.

The gross carrying value of such works was P1 388 580 at valuation as at 31st March 2017. Upon completion

these offices were all recognised under Property, Plant and equipment and accounted for in accordance with accounting policy 3.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

		YEAR ENDED 31 MARCH	
		31 MARCH 2017	31 MARCH 2016
3	FINANCIAL ASSETS BY CATEGORY		
	The accounting policies for financial instruments have been applied to the line items below:		
		Loans and Receivables	Total
	2017		
	Cash and cash equivalents	11,744,097	11,744,097
	Trade and other receivables	154,123,753	154,123,753
		165,867,849	165,867,849
	2016		
	Cash and cash equivalents	9,261,474	9,261,474
	Trade and other receivables	72,931,115	72,931,115
		82,192,589	82,192,589
	The carrying value less impairment provision of trade receivables and cash and cash equivalents are assumed to approximate their fair values.		
4	INVENTORIES		
	Merchandise	175,190,245	149,918,768
	Inventory write-downs	(11,770,064)	(3,141,681)
		163,420,181	146,777,087

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 P103,299,486 (2016:P104,585,459)

The inventories held by the Board are sorghum, maize, pulses, fertilizers and seeds.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
5 TRADE AND OTHER RECEIVABLES		
Trade receivables	175,838,353	83,907,560
Provision for doubtful debts	(21,714,601)	(10,976,445)
	154,123,753	72,931,115
Prepayments	2,695,990	1,130,210
Trade and other receivables	156,819,742	74,061,325

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The impairment provision is made based on the review of an individual debtors current credit situation, past performance and other factors.

The Board extends credit to various customers payable within 30 days of statement. A credit facility will be extended to customers, provided they can proof their creditworthiness. Before accepting the new customer the Board assesses the potential customer's credit quality and defines credit limits for that customer. Limits and scoring attributed to customers are reviewed and updated regularly. The debtors must make payments on due dates. The sum due would be instantly payable to the Board with interest @ 2% per month on all overdue balances

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, 2017, P27,711,606 (2016: P14,634,153) 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	6,472,583	10,065,937
2 months past due	10,762,754	2,231,521
3 months past due	10,476,269	1,946,397
	27,711,606	14,243,855

Trade and other receivables which are current and are neither past due nor impaired amount to P126,412,147 to 2016: P58,296,962

Trade and other receivables impaired

As of 31 March, 2017, the trade and other receivables of P21 714 601 (2016: P10 976 445) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	21,714,601	10,976,445
	21,714,601	10,976,445

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
5 TRADE AND OTHER RECEIVABLES (continued)		
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	10,976,445	7,082,211
Additional amounts raised	10,738,155	3,894,235
	21,714,601	10,976,445

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	4,336,287	1,966,816
Cash on hand	161,627	320,767
Short term deposits (28 days)	7,243,183	6,973,890
	11,744,097	9,261,474

Reconciliation of Cash & Cash Equivalents to the Statement of Cashflow:

Cash & cash equivalents	11,744,097	9,261,474
Bank Overdraft	(85,134,653)	(37,074,904)
Cash and cash equivalents at end of the year per SOCF	(73,390,557)	(27,813,430)

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

Botswana Pula Overdraft facility of P30million is to be utilised for general working capital requirements; repayable on demand; carries an interest rate at Bank's prime lending rate 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 USD800k 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 0.1% of the value of the guarantee issued.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

6 CASH AND CASH EQUIVALENTS (continued)

The Board's overall banking facility with First National Bank Botswana Limited, consist of various facilities as follows:-

Botswana Pula Overdraft facility of P10million is to be utilised for general working capital requirements; repayable on demand; carries an interest rate at Bank's prime lending rate per annum. The Board also had a trade finance loan of P30 million and the balance outstanding was P28.4 million.

Botswana Pula guarantee facility limit of P7.1million 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 0.1% of the value of the guarantee issued. The gurantee issued on behalf of Local Governemnt was P7.1 million as at year end.

The Board's overall banking facility with BancABC is; 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 per annum. The Board also had one year tenure loan of P140 million with BancABC at prime lending rate, and the balance outstanding was P78.4million.

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
7 EQUITY AND RESERVES		
Government Equity		
Equity Capital	27,455,061	27,455,061
	27,455,061	27,455,061
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	80,287,228	82,590,774
Revaluation surplus amount		
Amortised during the year	(2,006,110)	(2,303,546)
Reversal of revaluation reserve	-	-
	78,281,117	80,287,228
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.		
At the beginning of the year	9,017,668	9,017,668
At end of the year	9,017,668	9,017,668

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
7 RESERVES (continued)		
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 BANK LOAN		
The Board has the following facilities with various banks: First National Bank and BancABC of Botswana. BancABC of Botswana	78,420,952	60,257,317
	78,420,952	60,257,317

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
9 DEFERRED INCOME		
Deferred income mainly relates to unexpended balance of grants received from the Government of Botswana for the refurbishment of storage facilities.		
Opening balance	13,455,281	1,701,701
Utilised balance during the year	(70,988)	(246,420)
Additional grant from Government	-	12,000,000
	13,384,293	13,455,281
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. In the current year BAMB was subject to tax hence under the directive no dividend will be paid. In 2016 dividend was P6,122,906.		
11 TRADE AND OTHER PAYABLES		
Trade payables	59,581,545	54,100,159
Payroll accruals	6,765,777	3,499,776
Tax payable	5,451,077	-
	71,798,399	57,599,935
Dividends accrued	7,155,180	7,155,180
	78,953,579	64,755,115
Bank overdraft	85,134,653	37,074,904

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 AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
12 PROVISIONS		
At the beginning of the year	1,063,247	1,063,247
Provision for probable legal losses charged during the year	-	-
At the end of the year	1,063,247	1,063,247
<p>The provision relates to probable losses from current legal proceedings in which the Board is currently a party to. These are claims against BAMB by former employees for Unlawful dismissal and wages withheld. 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.</p>		
13 FINANCIAL LIABILITIES BY CATEGORY		
The accounting policies for financial instruments have been applied to the line items below:		
Financial liabilities at amortised cost:		
Trade and other payables	229,902,927	57,599,935
	229,902,927	57,599,935

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

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
14 REVENUE		
Sale of goods	386,206,519	318,524,795
Strategic Grain Reserve management fees	14,464,482	13,835,894
	400,671,002	332,360,689
<p>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.</p>		
15 COST OF SALES		
Cost of goods sold	299,483,959	240,576,327
Inventory losses and allowances	11,770,064	3,141,681
Transport subsidy received from Ministry of Agriculture	(3,100,000)	(4,350,000)
Distribution costs	13,871,984	12,892,174
Discounts received	(5,394,220)	(2,560,694)
	316,631,787	249,699,487

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

		YEAR ENDED 31 MARCH	
		31 MARCH 2017	31 MARCH 2016
16	OTHER INCOME		
	Rent received	1,935,484	1,932,926
	Sundry income	48,573,601	429,701
	Bad debt recovered	6,621	37,008
	Investment property revaluation	(1,630,000)	11,875,000
		48,885,705	14,274,635
	Sundry income		
	The board acquired take-on stock from the Botswana Government Veterinary upon acquisition of the Livestock Advisory Councils.		
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 one (1) and five (5) 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	74,000	48,315
	After one year but not more than five years	4,231,848	7,500,000
	More than five years	-	-
		4,305,848	7,548,315
17	OPERATING (PROFIT) / LOSS	(38,832,445)	(39,183,427)
	Operating (profit) loss for the year is stated after accounting for the following:		
	Board members' sitting fees and expenses	26,120	68,486
	Travelling and accommodation	5,302,986	3,360,514
	(Profit)/Loss on foreign exchange	(835,334)	(1,766,836)
	Repairs and maintenance	3,720,914	1,971,010
	Telephone and fax	2,163,603	863,011
	Office and general expenses	13,080,592	20,426,190
	Motor vehicle expenses	1,433,162	785,716
	Impairment of trade and other receivables	10,738,155	3,894,235
	Advertising	3,983,994	-
	Insurance	1,094,384	389,880
	Security	2,871,095	1,681,274
	Depreciation on property, plant and equipment	6,609,360	4,795,264
	Employee costs	43,046,981	18,661,402
	Pension contribution expense	856,462	2,622,264
		94,092,475	57,752,409

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

		YEAR ENDED 31 MARCH	
		31 MARCH 2017	31 MARCH 2016
18	FINANCE INCOME		
	Interest revenue		
	Bank	216,802	302,276
	Interest charged on trade and other receivables	41,978	42,417
		258,780	344,693
19	FINANCE COSTS		
	Interest on Overdraft	3,288,363	1,389,135
	Interest on loans	10,392,372	4,097,361
		13,680,735	5,486,496
20	AUDITORS REMUNERATION		
	Fees	345,000	273,000
		345,000	273,000
21	COMMITMENTS		
	Authorised capital expenditure		
	Not yet contracted for and authorised by the board		
	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		
	Purchase of motor vehicles	-	12,435,948
	Refurbishment of BAMB warehouses	5,276,919	7,507,792
		5,276,919	19,943,740

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
22 TAXATION		
The major components of income tax expense for the year ended are:		
Statement of Comprehensive income		
Botswana normal taxation		
Corporate tax	5,451,077	-
Deferred taxation	-	-
Taxation expense	5,451,077	-
Tax rate reconciliation		
Profit before tax	25,410,491	-
Profit for the nine months (July- March) Note	19,057,868	-
Company tax at 22%	4,192,731	-
Adjustment for:		
Non-taxable income	-	-
Non-deductible expenses	1,258,346	-
Taxation expense	5,451,077	-
Deferred tax		
Opening balance	-	-
Timing differences relating to property, plant and equipment	92,598	-
Provisions	(1,574,150)	-
Net deferred tax (asset)/liability	(1,481,552)	-

The deferred tax asset has not been recognised; as it is not probable that future taxable profits will be available, therefore net movement in deferred tax is nil. All income taxes and deferred tax were computed at the statutory tax rate of 22%.

Note

The board became liable for income tax effective 1st July 2016

23 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 P7,585,900: P8,716,085).

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 ZAR 300 000 (2016: P300 000).

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
24 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 N Wotho (Chief Executive Officer)	
	E Ncaagae	
	G Gaebowe	
	T. Seitshiro	
	S.Chikunyana	
	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	910,276	-
Amounts included in Trade Receivables regarding related parties		
Department of Crop Production	25,207,605	15,646,210
Department of Local Government Finance and Procurement	18,208,042	15,920,059
Department of Veterinary Services	26,439,258	17,988,148
Government of Botswana - Strategic Grain Reserve	66,964,624	5,126,051
Government of Botswana - Strategic Grain Reserve(administration fees)	14,464,482	13,835,894
Related party transactions		
Purchases from related parties		
Government of Botswana - Strategic Grain Reserve	53,243,114	17,750,213
Board member fee and expenses		
Sitting fees and expenses	26,120	68,486
Grants and fees received from Government of Botswana		
Strategic Grain Reserve management fees	14,464,482	13,835,894
Transport subsidy - Ministry of Agriculture	3,100,000	4,350,000
Sales to related parties		
Department of Crop Productions	59,012,496	61,125,283
Department of Local Government Finance and Procurement	69,561,883	26,588,770
Ministry of Agriculture	35,345,916	22,988,148
Compensation of key management personnel		
Short term employee benefits	3,565,741	2,622,265
Gratuity and leave pay	3,792,388	1,773,658

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
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, bank loans, 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.		
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 bank loans. Significant part of its payables relate to amounts owed to Strategic Grain Reserve, a directive managed by the Board. The Board will approach Government with funding requirements when necessary. The 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.		

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH		
	31 MARCH 2017	31 MARCH 2017	31 MARCH 2016
25 RISK MANAGEMENT (continued)			
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, 2017			
	Not later than 1 month	Between 1 and 3 months	Between 3 months and 1 year
Trade and other payables	17,470,122	35,627,936	6,279,737
Loan obligations		78,420,952	
Bank overdraft		85,134,653	
	17,470,122	199,183,542	6,279,737
			6,279,737
At 31 March, 2016			
Trade and other payables	31,603,390	19,209,281	51,017,347
Loan obligations		60,257,317	
	31,603,390	79,466,599	51,017,347
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.			
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, 2017, 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 P301,286.59 (2016: P487,298.98) 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 year	Due in more than two years
Short term deposits	5.85%	7,246,183	-
BWP call deposits	2.50%	4,336,287	-
loans	9.0%	-	-
Interest charged on overdraft	8.50%	85,134,653	-

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
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	156,819,742	74,061,325
Cash and cash equivalents	11,744,097	9,261,474
The Board does not hold any collateral as security.		

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH		
	31 MARCH 2017	31 MARCH 2016	
25 RISK MANAGEMENT (Continued)			
Foreign exchange risk			
The entity is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The entity does not hedge foreign exchange fluctuations.			
Foreign currency sensitivity			
The following table demonstrates the sensitivity to a reasonably possible change in the ZAR foreign exchange rates with the Pula, with all other variables held constant.			
	Increase/ (decrease) in exchange rate		Effect on profit
2017	5% (5%)		837,808 (837,808)
2016	5% (5%)		407,181 (407,181)
Exchange Rates			
The amounts reported below are exchange rates against the Pula.			
	2017 Pula	2017 Rand	2016 Rand
Exchange rate	1	1.3140	1.3500

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016

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)

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total value
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25 RISK MANAGEMENT (Continued)

The following table represents the company's assets and liabilities that are measured at fair value as at 31 March 2017

Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2017:

Date of valuation

Investment properties					
- Physical properties	31-Mar-17	-	-	24,180,000	24,180,000
Property, plant and equipment					
- Land and buildings	31-Mar-17	-	-	75,066,706	75,066,706
- Furniture and fixture	31-Mar-17	-	-	536,741	536,741
- Motor vehicles	31-Mar-17	-	-	1,635,740	1,635,740
- Plant and machinery	31-Mar-17	-	-	7,110,911	7,110,911
		-	-	108,530,098	108,530,098

Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2016:

Date of valuation

Investment properties					
- Physical properties	31-Mar-16	-	-	25,810,000	25,810,000
Property, plant and equipment					
- Land and buildings	31-Mar-16	-	-	77,079,865	77,079,865
- Furniture and fixture	31-Mar-16	-	-	622,275	622,275
- Motor vehicles	31-Mar-16	-	-	2,620,742	2,620,742
- Plant and machinery	31-Mar-16	-	-	3,971,199	3,971,199
		-	-	88,265,279	88,265,279

Determination of fair values and fair values hierarchy

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.

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

Reconciliation of movements in level 3 financial instruments measured at fair value	Investment Properties	Land and Buildings	Furniture and Fixtures	Motor Vehicles	Plant and Machinery
25 RISK MANAGEMENT (Continued)					
31 March 2017					
Balance	24,180,000	75,066,706	536,741	1,635,740	7,110,911
Adjusted due to IFRS 13	-	-	-	-	-
Total gains/(loss) in comprehensive income	-	-	-	-	-
Acquisitions	-	-	-	-	-
Settlements/ Repayments	-	-	-	-	-
	24,180,000	75,066,706	536,741	1,635,740	7,110,911

BOTSWANA AGRICULTURAL MARKETING BOARD AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS cont.

Instrument	Applicable to level	Valuation basis	Main assumption	Significant unobservable input	Quantitative data
23.5 (c) Valuation techniques used in determining the fair value of financial instruments					
Properties	3	Discounted cash flow model (DCF)	Consumer Price index	Capitalisation rate	9 - 14%
Furniture and fixtures	3	Management assessment of useful life and replacement costs	"Useful life Replacement costs"	Useful life	3 - 5 years
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	181.3 index points

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.



Botswana Agricultural Marketing Board

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

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STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

GENERAL INFORMATION

Country of Incorporation and Domicile:	Botswana
Nature of business and principal activities:	Holding of Strategic Grain Reserve for the Government of Botswana. The Botswana Agricultural Marketing Board is the managing agent appointed by the Government of Botswana to manage the Reserve. The Reserve was created by the Government as a storage facility for grain in the event of a nationwide natural disaster. The transactions executed between the Board and the Reserve are mainly purchase and sale of inventory. The Board periodically sells the Reserve inventory to avoid losses due to perishing of inventory.
Members of the Board	Edison Nyalalani Wotho (Chief Executive Officer of the managing agent) Elvis Ncaagae
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:	Ernst & Young 2nd Floor, Plot 22 Khama Crescent Gaborone
Bankers:	Standard Chartered Bank of Botswana Limited Barclays Bank of Botswana Limited First National Bank of Botswana Limited BancABC
Managing Agent:	Botswana Agricultural Marketing Board
Company registration number	687900
Measurement and Presentation Currency:	Botswana Pula

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

THE BOARD' RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Board is responsible for the preparation of the Annual Financial Statements of the Strategic Grain Reserve and all other information presented therewith. Their responsibility includes maintenance of financial records and the preparation of Annual Financial Statements in accordance with the International Financial Reporting Standards and in the manner required by the Agency Agreement of 13 October 2009.

The Strategic Grain Reserve maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse of the Strategic Grain Reserve's assets. According to the Agency Agreement of 13 October 2009, the Strategic Grain Reserve Board appoints the External Auditor but the Board are also responsible for providing policy and reviewing the design, implementation, maintenance and monitoring of the systems of internal control.

The Independent Auditors are responsible for giving an independent opinion on the Annual Financial Statements based on their audit of the affairs of the Strategic Grain Reserve.

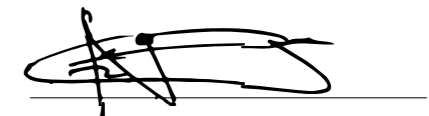
After making enquiries the Board have no reason to believe that the Strategic Grain Reserve will not be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these Annual Financial Statements based on forecasts, available cash resources and continued support of the Government of the Republic of Botswana.

The Board are satisfied that Management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the Annual Financial Statements, to safeguard the assets of the Strategic Grain Reserve and to ensure that all transactions are duly authorised.

Against this background, the Members accepts responsibility for the Annual Financial Statements on pages 78 to 89, which were signed on its behalf by:


DIRECTOR**DATE**

15 January 2018


DIRECTOR**DATE**

15 January 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STRATEGIC GRAIN RESERVE



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Gaborone, Botswana

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Partnership registered in Botswana
Registration No: 10829
VAT No. P03B25401112
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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Strategic Grain Reserve set out on pages 78 to 89 which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Strategic Grain Reserve as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Agency Agreement of 13 October 2009.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Strategic Grain Reserve in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Strategic Grain Reserve. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Strategic Grain Reserve. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of directors are responsible for the other information. The other information comprises the Corporate Governance report, Chairperson's Statement, Chief Executive Officer's Statement, the Board Responsibility and Approval of Annual Financial Statements and the Annual Report as required by the Agency Agreement of 13 October 2009, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Commissioners for the Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Agency Agreement of 13 October 2009 and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Board of Directors are responsible for assessing the Strategic Grain Reserve ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Strategic Grain Reserve or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Strategic Grain Reserve's financial reporting processes. Those charged with governance are responsible for overseeing the Botswana Agricultural Marketing Board's financial reporting processes.

INDEPENDENT AUDITOR'S REPORT cont.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Strategic Grain Reserve's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Strategic Grain Reserve's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Strategic Grain Reserve to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

Ernst & Young
Practising Member: Bakani Ndwapi
Partner
Membership Number: 19980026
Certified Auditor
Gaborone

DATE
16 January 2018

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF FINANCIAL POSITION

	NOTES	YEAR ENDED 31 MARCH	
		2017 PULA	2016 PULA
Current assets			
Inventories	2	103,299,486	104,585,459
Trade and other receivables	3	910,276	0
Cash and cash equivalents	4	1,682,436	1,550,583
		105,892,198	106,136,042
TOTAL ASSETS		105,892,198	106,136,042
EQUITY AND LIABILITIES			
Equity			
Reserves	7	205,389,405	205,389,405
Accumulated profit /(loss)		(166,461,831)	104,379,416
Total equity		38,927,574	101,009,989
Current liabilities			
Trade and other payables	5	66,964,624	5,126,051
		66,964,624	5,126,051
TOTAL LIABILITIES		66,964,624	5,126,051
TOTAL EQUITY AND LIABILITIES		105,892,198	106,136,042

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF COMPREHENSIVE INCOME

	NOTES	YEAR ENDED 31 MARCH	
		2017 PULA	2016 PULA
Revenue	8	53,243,114	17,750,213
Costs of sales	9	(53,578,812)	(18,909,737)
Gross Profit		(335,698)	(1,159,524)
Administration expenses	11	(14,468,328)	(13,879,811)
Operating expenses	12	(47,314,761)	(39,294,287)
Operating Profit /(Loss)		(61,783,089)	(53,174,098)
Finance income	10	36,370	31,742
Profit /(Loss) for the year		(62,082,416)	(54,301,880)
Other comprehensive income		-	-
Total Comprehensive income		(62,082,416)	(54,301,880)

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF CHANGES IN EQUITY

	Notes	Reserves	Accumulated Profit/(Loss)	Total Equity
Balance at 31 March 2015	7	205,389,405	50,077,534	155,311,871
Total comprehensive income		-	54,301,880	(54,301,880)
Balance at 31 March 2016	7	205,389,405	104,379,414	101,009,991
Total comprehensive income		-	(62,082,416)	(62,124,416)
Balance at 31 March 2017		205,389,405	(166,461,831)	38,885,575

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF CASH FLOWS

	NOTES	YEAR ENDED 31 MARCH	
		2017 PULA	2016 PULA
Cash flows from operating activities			
Profit/(Loss) for the year		(62,082,416)	(54,301,880)
Adjustments for:			
Profit/(Loss) on foreign exchange		59,329	(125,687)
Finance income	10	(36,370)	(31,742)
Changes in working capital:			
Decrease(increase) in inventories		1,285,973	14,654,999
Decrease(Increase) in trade and other receivables		(910,276)	34,487,627
Decrease in trade and other payables		61,838,572	5,123,389
Cash generated from /(Utilised in) operations		112,813	(193,294)
Interest received	10	36,370	31,742
Net cash from operating activities		149,183	(161,552)
Net increase/(decrease) in cash and cash equivalents		149,183	(161,552)
Net foreign exchange difference		(59,329)	125,687
Cash and cash equivalents at beginning of year	4	1,550,584	1,586,446
Cash and cash equivalents at end of the year	4	1,640,437	1,550,584

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. The functional and presentation currency of the Reserve is the Botswana Pula.

The accounting policies are consistent with the previous period, except where stated otherwise.

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. Significant judgements include:

2.1 Trade receivables

The Reserve 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, management makes judgements as to whether there is observable data indicating a measurable decrease in the net realisable value of the asset. Refer to policy notes 3.3 and 3.6 for impairment considerations.

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.

3 Financial instruments

The Reserve 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

3 Financial instruments (continued)

3.1 Initial recognition

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

The Reserve 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.

3.2 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.

3.3 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. Trade and other receivables are classified as loans and receivables.

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3 Financial instruments (continued)

3.4 Trade and other payables

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

3.5 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 measured at fair value.. Cash and cash equivalents are usually not discounted as they have short term maturities.

3.6 Impairment of financial assets

At each reporting date the Reserve assesses all financial assets, to determine whether there is objective evidence that a financial asset or a group of financial assets has been impaired. For amounts due to the Reserve, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit and loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

3.7 Derecognition of 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.

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3 Financial instruments (continued)

3.8 Derecognition of financial liability

A financial liability is derecognised when it is extinguished. That is when the obligation under the liability is discharged or cancelled or expires.

3.9 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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.

4 Tax

Tax expenses

No provision for taxation is required as the Strategic Grain Reserve are exempt from taxation in terms of second schedule, Part I of the Income Tax Act (CAP 52:01) .

5 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 inventories mainly comprise of maize, sorghum and, sunflower

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 cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6 Revenue

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

- the Reserve has transferred to the buyer the significant risks and rewards of ownership of the goods; the Reserve 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 Reserve; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognised at the fair value of consideration received. The Reserve generates revenue from the sale of inventory on a periodic basis to the Botswana Agricultural Marketing Board. The Reserve sells scheduled produce i.e. sugar beans, sorghum, sunflower, maize etc. This occurs when the contract of sale is signed by both parties.

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

7 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.

8 Foreign currency transactions

The Reserve is operating foreign currency denominated bank accounts. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

8 Foreign currency transactions (continued)

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 and 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.

9 New and amended standards and interpretations

The following amendments would have become effective during the current period, however I don't think that any of them will impact the SGR. As a result I think it can just be stated that there are amendments that have become effective during the current year however they have no impact on the financial position and financial performance of the SGR.

Amendments effective during the current period

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments to IAS 19

AIP IFRS 2 Share-based Payment - Definitions of vesting conditions

AIP IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination

AIP IFRS 8 Operating Segments - Aggregation of operating segments

AIP IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

AIP IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation/amortisation

AIP IAS 24 Related Party Disclosures - Key management personnel

AIP IFRS 3 Business Combinations - Scope exceptions for joint ventures

AIP IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

AIP IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

10 Standards issues but not effective in the current year

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

IAS 1 Disclosure Initiative – Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2016 the amendments clarify, rather than significantly change, existing IAS 1 requirements:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

This is expected to impact the disclosure of the Strategic Grain Reserve's future financial statement (though not significantly) but not the measurement.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. It also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Strategic Grain Reserve is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

10 Standards issues but not effective in the current year (continued)

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases.

Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

The adoption of IFRS 9 will have an effect on the classification and measurement of the financial assets, but no impact on the classification and measurement of the SGR's financial liabilities. Management is the process of assessing the impact on the values of financial assets.

There have been a number of standards and Interpretations that have been issued and are not yet effective, however these will have no impact on the financial position and performance of the SGR.

IAS 7 Disclosure Initiative – Amendments to IAS 7

Effective for annual periods beginning on or after 1 January 2017. The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted.

NOTES TO THE FINANCIAL STATEMENTS

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
2 INVENTORY		
Merchandise	103,299,486	106,583,897
Inventory write-downs	-	1,998,438
	103,299,486	104,585,459
3 TRADE AND OTHER RECEIVABLES		
Trade Receivables	910,276	-
	910,276	-

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables as shown above.

Trade receivables consist entirely of amounts owed by the managing agent, Botswana Agricultural Marketing Board. Botswana Agricultural Marketing Board has an option to settle either in cash or through the replenishment of stock.

The amounts are 100% secured against the inventory of Botswana Agricultural Marketing Board. The Reserve does not hold any collateral as tangible security.

Trade and other receivables past due but not impaired

The Reserve's receivable balances are all due from the Botswana Agricultural Marketing Board and these are due within 1 month. There has been no impairment of receivable balances at year end. At 31 March 2017, P910,276 (2016 P0.00) were past due but not impaired.

Credit quality of trade and other receivables.

The Botswana Agricultural Marketing Board has been a long standing customer of the Reserve and has settled all amounts outstanding in the past and based on the customer's payment history the Reserve believes the amounts due to be settled in full.

4 CASH AND CASH EQUIVALENTS		
Bank Balances	1,682,436	1,550,583
Short term deposits	-	-
	1,682,436	1,550,583

Credit quality of cash at bank and short term deposits, excluding cash on hand.

Cash at bank and short term deposits are placed with reputed financial institutions which are registered in Botswana.

NOTES TO THE FINANCIAL STATEMENTS

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
5 TRADE PAYABLES		
Trade Payables	66,964,624	5,126,051
	66,964,624	5,126,051
The carrying amounts of trade and other payables approximates its fair value, due to the short term maturity of financial liabilities measured at amortised cost. The trade payables do not attract any interest and are normally settled within 30 days.		
6 FINANCIAL INSTRUMENTS		
	Carrying Value 2017	Fair Value 2016
FINANCIAL ASSETS		
Loans and receivables;		
Trade and other receivables	910,276	-
Cash and cash equivalents	1,682,436	1,550,583
	2,592,712	1,550,583
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost;		
Trade payables	66,964,624	5,126,051
	66,964,624	5,126,051
	Carrying Value 2017	Fair Value 2016
FINANCIAL ASSETS		
Loans and receivables;		
Loans and receivables	-	-
Cash and cash equivalents	1,550,583	1,550,583
	1,550,583	1,550,583
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost;		
Trade payables	66,964,624	5,126,051
	66,964,624	5,126,051

NOTES TO THE FINANCIAL STATEMENTS

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
7 RESERVES AND CAPITAL		
Opening balance	205,389,405	205,389,405
Amounts received during the year	-	-
	205,389,405	205,389,405
Strategic Grain Reserve is established through presidential directive to store and supplement the grain reserves of the country. The government funds the procurement through infuse of capital as and when required. The Reserve is disbursed by the Government of Botswana to buy inventory for the Strategic Grain Reserve.		
When new funds are received they are accounted as the equity injection into the reserve. The reserve can be derecognized when the government reduces the strategic reserve by withdrawing the funds.		
8 REVENUE		
Sale of goods	53,243,114	17,750,213
	53,243,114	17,750,213
The Strategic Grain Reserve holds the strategic sorghum stock piles for the government of Botswana. Due to the perishability of stock items the Reserve has to sell its stock periodically. The Reserve sells its stock to the Botswana Agricultural Marketing Board only.		
9 COST OF SALES		
Cost of goods sold	53,578,812	16,911,299
Inventory write down	-	1,998,438
	53,578,812	18,909,737
10 FINANCE INCOME		
Interest Income	36,370	31,742
	36,370	31,742
11 ADMINISTRATION EXPENSES		
Administration charges	14,464,482	13,835,894
Bank charges	3,846	1,917
Audit Fees	42,000	42,000
	14,510,328	13,879,811
12 OPERATING EXPENSES		
Unrealised Exchange gain/loss	(59,329)	125,687
Bean subsidy	47,374,090	39,168,600
	47,314,761	39,294,287

NOTES TO THE FINANCIAL STATEMENTS

	YEAR ENDED 31 MARCH	
	31 MARCH 2017	31 MARCH 2016
13 RELATED PARTIES		
Relationships		
Owner with significant influence	Government of Botswana	
Members of the Reserve	Refer to general information page	
Members of key management	E N Wotho (Chief Executive Officer)	
	E Ncaagae	
	C Mokgoko	
	K Gaebowe	
	T Seitshiro	
	S Chikunyane	
Related party balances		
Terms and conditions		
All related party balances are settled on the normal business repayment terms of 30 days.		
All related party transactions take place at arm's length.		
Sales to related parties		
Botswana Agricultural Marketing Board	53,243,114	17,750,213
Amounts included in trade receivables regarding related parties		
Botswana Agricultural Marketing Board	910,276	-
Amounts included in trade payables regarding related parties		
Botswana Agricultural Marketing Board	66,964,624	5,126,051
Administration fees paid to related parties		
Botswana Agricultural Marketing Board	14,464,482	13,835,894
Security on related party balances due at year end.		
All related party balances due at year end are not secured. These are mainly to the Government of Botswana.		
The Botswana Agricultural Marketing Board is the managing agent appointed by the Government of Botswana to manage the Reserve. The Reserve was created by the Government as a storage facility for grain in the event of a natural disaster. The transactions executed between the Board and the Reserve are mainly purchase and sale of inventory. The Board periodically sells the Reserve inventory to avoid losses due to perishing of inventory. At the end of the year 2017, the reserve had P103,299,486 inventory to be sold to the Board next financial year.		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH	
31 MARCH 2017	31 MARCH 2016

14 RISK MANAGEMENT**Capital Management**

The Reserve's objective when managing capital is to safeguard the Reserve's ability to continue as a going concern in order to provide returns and benefits for stakeholders. There are no externally imposed capital requirements. There has been no change in the way the Reserve manages its capital. The Reserve may approach the Government of Botswana for additional capital in the form of capital grants, subventions or deferred income. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from previous year. The Reserve monitors its capital structure through the use cost of capital calculation.

Financial risk management

The Reserve's principal financial liability is trade and other payables, while the principal financial assets are the trade and other receivables, cash and short term deposits that derive directly from its operations. The Reserve is exposed to market risk, credit risk and liquidity risk.

Market Risk

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than one year	Due in more than two years
31 March 2017			
Bank balances	2.60%	1,682,436	-
31 March 2016			
Bank balances	2.60%	1,682,436	-
	Change in interest rate	Effect on Profit before Tax	Effect on Equity
2017	+5%	2,187	2,187
	-5%	2,187	2,187
2016	+5%	2,016	2,016
	-5%	2,016	2,016

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH	
31 MARCH 2017	31 MARCH 2016

14 RISK MANAGEMENT (continued)**Credit risk**

The main customers of the Reserve is the Botswana Agricultural Marketing Board. 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.

The Reserve does not hold any collateral.

Liquidity risk

Liquidity risk is the risk that the reserve will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Significant part of its payables relate to amounts owed to the Botswana Agricultural Marketing Board, the agent of the Reserve. The Reserve contemplates approaching Government with funding requirements when adequate funding resources are not available as the Reserve is in itself a Statutory Corporation.



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