

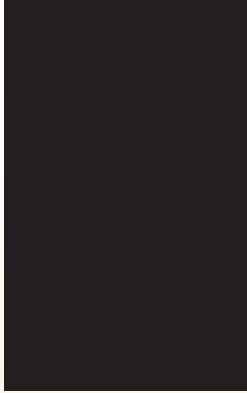


BAMB

**BOTSWANA AGRICULTURAL
MARKETING BOARD**

ANNUAL REPORT | 2018





NOURISHING THE HOPES, DREAMS & ASPIRATIONS OF OUR NATION



**OUR THEME ANNUAL REPORT DESIGN
CREATIVELY ILLUMINATES THE CORE
MANDATE OF THE ORGANISATION TO
PROVIDE FOOD SECURITY.**

The sackcloth treatment of the cover pays homage to the humble bags full of nourishing goodness, which BAMB works to guarantee adequate supply. With food security assured, Botswana is able to concentrate on nurturing and achieving hopes, dreams and aspirations.



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“ This report is a highlight of how Botswana Agricultural Marketing Board is aiming to provide stable grain market that is efficient and fair, in support of national food security.

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This Annual Report, together with Annual Statements, Presentations and previous Annual Reports are available at www.bamb.co.bw

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CORPORATE PROFILE



BAMB
BRASILIAN AGRICULTURAL
MARKETING BOARD

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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
- Purchase or obtain supplies from any source

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 agricultural products and services

OUR MISSION

To provide a stable agricultural market that is efficient and fair in support of national food security

OUR VALUES

Innovation

We strive to become an innovative and forward thinking hub in the provision of agricultural services

Integrity

We uphold the highest professional standards with integrity and accountability

Team-work

We will work together to achieve a common goal

Efficiency

We will strive to become a centre of excellence by working more efficiently in a productive manner

PRODUCTS



AGRICULTURAL PRODUCE

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



PROCESSED FOODS

- Mosuthlane 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 for livestock and poultry. BAMB also sells day old chicks, poultry equipment and medications. All our business centres have trained and qualified sales agents to offer appropriate advice to the livestock farming community.

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 grain 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, millet and maize at agreed prices 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/she can produce 5Mt or more per crop. Small farmers can combine their produce to meet the minimum of 15Mt.

The Benefits include amongst others:

- The contract price offered is 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.

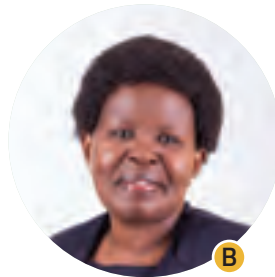


BAMB

BUHANE AGRICULTURAL
MARKETING BOARD

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BOARD MEMBERS



A Dr Gloria Somolekae
BOARD CHAIRPERSON

B Ruth Mphathi
DEPUTY CHAIRPERSON

C Dr Edwin Dikoloti
BOARD MEMBER

D Mr Modisa Kebonyemodisa
BOARD MEMBER

E Jacob Van Der Westhuizen
BOARD MEMBER

F Ms Zibo Nthobatsang
BOARD MEMBER

G Quett Rabai
BOARD MEMBER

H Ms Ogone Madisa
- Kgwarae
BOARD MEMBER

I Col. Duke Masilo
BOARD MEMBER





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MANAGEMENT TEAM



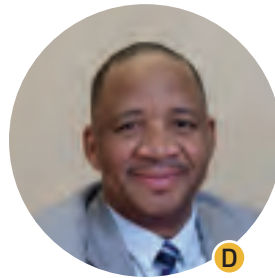
A **Mr Leonard Morakaladi**
CHIEF EXECUTIVE OFFICER



B **Keefentse Gaebowe**
HEAD, HUMAN RESOURCES AND STRATEGY



C **Tobile Lemo**
HEAD, FINANCE



D **Tlhotlhetso R. Yane**
HEAD, OPERATIONS



E **Thabo Seitshiro**
HEAD, COMMERCIAL & BUSINESS
DEVELOPMENT



F **Dr Obakeng Nickerson
Kemolatlhe**
HEAD, VETERINARY SERVICES



G **Tumelo Keitumetse**
HEAD, INTERNAL AUDIT



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CHAIRPERSON'S STATEMENT

It is an honor and a privilege to present the Botswana Agricultural Marketing Board (BAMB) annual report for the year ended 31st March 2018. This is in accordance with section 17 (1) of the act, CAP 74:06. The Financial Accounts were approved by the Board of Directors at a meeting held on the 18th September 2018.

Included in this report is the statement of accounts, which would, in greater detail, show how the Board's operational revenues were utilized. This report therefore presents an important opportunity for all key stakeholders to appreciate and scrutinize what the Board does in executing its mandate.

Financial Results

During the year under review, The Board's revenue dropped by 29% from P401 million to P286 million. This revenue decline is attributable to a few factors; chief amongst which is that during the reporting period the Board did not enjoy bumper sales of feeds through the Government drought subsidy, as it was the case in the previous year. Sorghum sales also declined compared to the previous year as most major food millers had sourced grain directly from farmers to satisfy their set quota of 50% local purchase on Sorghum and 30% on Maize.

This therefore left BAMB with very limited scope to sell as the millers then resorted to imported grain while the Board had stock to sell. Furthermore, the Board experienced a decline in profit as compared to the year ended March 2017 recording a loss of P65.4 million in March 2018.

Another challenge the Board faced emanated from slow and delayed receivables by its major debtors. This had a very negative impact on BAMB's cash flow and related changes by lending institutions.

Food Security

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. The Board will continue to facilitate the Strategic Grain Reserve efficiently for national food security.

Corporate Governance

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

It is my hope that the Board will continue to build on this performance going forward to play a vital role in the commercialization of the agricultural sector and the diversification of the national economy.



Dr Gloria Somolekae
BOARD CHAIRPERSON



BAMB
BANKING AND
MARKETING BOARD

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CHIEF EXECUTIVE OFFICER'S REPORT

PERFORMANCE

a) Financial Performance

Revenue

The 2017/18 financial report marks 44 years of Botswana Agricultural Marketing Board (BAMB) existence. This period saw a decline in the Board's fortunes where operational revenues dropped by 29% from P400 million in 2016/17 to P286million in 2018.

	2012/2013		2013/2014		2014/2015		2015/2016		2016/2017		2017/2018	
	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales
Sale of goods	172,495,122	99.50	198,660,900	95	267,727,541	96	318,524,795	96	386,206,520	96	269,291,461	94
SGR Management Fees	1,003,431	0.5	11,160,329	5	10,893,832	4	13,835,894	4	14,464,482	4	16,677,120	6
	175,012,169	100	209,821,229	100	278,621,373	100	332,360,689	100	400,671,002	100	285,968,581	100

b) Sales Summary

Total grains captured 64% of Boards revenue during 2017/18 financial year. The pulses are the major leading grain contributor to revenue with 29% of sales. During the year the board exported 3000Mt of beans to Democratic Republic of Congo and Angola through the World Food Programme. The Government of Botswana through the school feeding programme also consumed a good amount of beans from the Board.

	2012/2013		2013/2014		2014/2015		2015/2016		2016/2017		2017/2018	
Product	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales
Sorghum	54,537,345	32	148,343,606	71	50,868,233	19	113,002,634	34	89,950,640	22	65,772,774	23
Pulses	6,103,179	4	11,414,275	5	56,222,784	21	56,501,317	17	85,583,326	21	82,930,888	29
Sunflower	39,075,528	23	-	-	40,159,131	15	3,323,607	1	80,134	-	-	-
Millet	-	-	-	-	-	-	-	-	1,081,812	-	-	-
Maize	10,136,662	6	15,023,200	7	26,772,754	10	33,236,069	10	11,659,526	3	34,316,230	12
	109,852,714	65	174,781,080	83	174,022,902	65	206,063,627	62	188,355,438	47	183,019,892	64

CHIEF EXECUTIVE OFFICER'S REPORT [CONTINUED]

Agricultural Inputs:

Product	2012/2013		2013/2014		2014/2015		2015/2016		2016/2017		2017/2018	
	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales
Veterinaries	-	-	-	-	-	-	-	-	-	-	-	-
Ploughing Equipment	-	-	-	-	-	-	-	-	33,576,230	8.38	37,175,916	13
Fisheries	-	-	-	-	-	-	-	-	560,939	0.14	-	-
Fertilizer & Chemicals	-	-	-	-	-	-	-	-	841,409	0.21	-	-
Seeds	39,649,684	23	6,399,547	3.05	37,481,856	14	49,854,103.35	15	37,783,275	9.43	8,579,057	3
Feeds	8,856,127	5	5,434,370	2.59	34,804,580	13	19,941,641.34	6	39,866,765	9.95	5,719,372	2
Packaging Material & Others	9,370,326	5	12,715,166	6.06	8,031,826	3	49,854,103.35	15	97,483,255	24.33	45,754,973	16
	4,766,270	2	10,491,061	5	13,386,377	5	6,647,213.78	2	2,203,691	0.55	5,719,372	2
	62,642,408	35	35,040,145	16.70	93,704,639	35	126,297,062	38	212,315,564	52.99	102,948,689	36

Though there was no drought declared during the year, the feeds contributed 16% to total revenue. BAMB lost on the tender to supply seeds to ISPAAD during the year, hence a decline of 8% in seed sales during the year.

c) Grain Purchases

During the 2017/2018 harvesting season, a total of 26,430 Mt of grains were purchased. The Board purchased 18,182 Mt of Sorghum from farmers compared to 31,226Mt of the previous year. During the reporting period, millers signed contracts to buy at farm gate from farmers.

Product					
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Sorghum	21,279	43,321	43,321	31,226	18182
Maize	2,574	13,669	13,669	385	4480
Sunflower	3,891	4,703	4,703	-	-
Pulses	3,000	4,151	4,151	8,046	3768
Millet	339	2	2	-	-
Total	31,083	65,846	65,846	39,657	26,430

CHIEF EXECUTIVE OFFICER'S REPORT [CONTINUED]

OPERATIONAL PERFORMANCE

i) Producer Prices

The producer price for cowpeas and beans remained unchanged at P14000/Mt as per the Government of Botswana production subsidy to farmers. The producer prices have dropped during the reporting period.

Product						
	2012/2013	2013 / 2014	2014/2015	2015/2016	2016/2017	2017/2018
Sorghum	2222 - 2950	2,500 - 2,900	1850 - 2550	2000 - 2700	2,450 - 2,700	2,000 - 2,550
Millet	2600 - 2600	1,700 - 2,000	1700	2000 - 2750	3,000	2,500
Maize (White/Yellow)	1789 - 2600	1,880 - 1,900	1600 - 1800	2070 - 2500	2,200 - 3,000	1,495 - 2400
Sunflower	3523 - 4560	3,200 - 4,000	2850 - 3200	1745 - 2817	2,817	2,000 - 4000
Groundnuts & Jugo Beans	8400 - 8800	9,900 - 9,900	9200 - 9900	10000 - 12000	12,000	12,000 - 14,000
Cowpeas and Beans	7200 - 14000	14,000 - 14,000	5850 - 14000	14000 - 14000	14,000	14000

ii) Contract Farming

A total of 221 farmers signed up for contract farming during the financial year. This translated into a decline of 179 farmers compared to the previous year of 400 farmers on contract farming.

	2012/2013	2013 / 2014	2014/2015	2015/2016	2016/2017	2017/2018
Contracted Quantities (Mt)	15,735	68,094	43,774	31,138	74,569	47,326
Number of Farmers	46	183	209	190	400	221
Pandamatenga/ Northern	13	40	53	154	209	135
Southern Farmers	33	143	156	36	191	86

PROJECTS

The Board commissioned infrastructural projects in Maun, Tutume and Moshupa during the reporting period to improve operational efficiency.

HUMAN RESOURCE MANAGEMENT

There was a change of leadership at the end of 2017/18 reporting period, with Mr Leonard Morakaladi joining BAMB on the 1st March 2018.

To improve staff effectiveness BAMB is implementing targeted training to develop the skills set and competencies required to deliver on the BAMB mandate.



Leonard Morakaladi,
CHIEF EXECUTIVE OFFICER

Appointed 1st March 2018



Keefentse Gaebowe,
ACTING CHIEF EXECUTIVE OFFICER

October 2017 - February 2018



BAMB

BUREAU OF AGRICULTURAL
MARKETING BOARD

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ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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GENERAL INFORMATION

FOR THE YEAR ENDED 31 MARCH 2018

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) Ms Ruth Mphathi (Deputy Chairperson) Mr Jacob Van Der Westhuizen Dr Edwin Dikoloti Col. Duke Masilo Dr Keoagile F Molapong Mr Modisa Kebonyemodisa
Company Secretary:	Mr Keefentse 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



THE BOARD'S RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Members of the Board are 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, and the Members of 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 Botswana Agricultural Marketing Board.

After making enquiries the Members of the Board have 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 Members of 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 Botswana Agricultural Marketing Board and to ensure that all transactions are duly authorised.

Against this background, the Members of the Board accept responsibility for the Annual Financial Statements on pages 26 to 71, which were signed on behalf of the Members of the Board by:



.....
Dr Gloria Somolekae
(Board Chairperson)



.....
Ms Ruth Mphathi
(Deputy Board Chairperson)

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BOTSWANA AGRICULTURAL MARKETING BOARD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Botswana Agricultural Marketing Board (the Board) set out on pages 26 to 71, which comprise the statement of financial position as at 31 March 2018, 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 2018, 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 (Cap 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 the 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 the Botswana Agricultural Marketing Board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Key Audit Matter	How the matter was addressed in the audit
<p><i>Assessment of impairment of receivables with government departments</i></p> <p>As at 31 March 2018, the Board had total trade and other receivables of P186,401,446 of which P144,223,083 related to receivable balances from various Government of Botswana Departments namely Crop Production, Local Government Finance and Procurement, Veterinary Services, and Strategic Grain Reserve. This represents 77% of the trade and other receivables as at 31 March 2018.</p>	<p><i>Our audit procedures comprised, amongst other:</i></p> <ul style="list-style-type: none"> - We evaluated the Board's processes and controls relating to the monitoring of trade receivables and review of credit risks of counterparties. - We obtained external confirmations of the trade and other receivable balances and agreed the receipts for the period after 31 March 2018 to supporting documentation.



INDEPENDENT AUDITOR'S REPORT [CONTINUED]

Key Audit Matter	How the matter was addressed in the audit
<p>The overdue amount from the various Government of Botswana Departments at year end was P144,223,083.</p> <p>The existence and recoverability of the trade and other receivables was considered to be a matter of most significance to the current audit of the Board due to the following reasons:</p> <ul style="list-style-type: none"> • The uncertainty in timing and the amounts receivable given challenges that the various Government of Botswana Departments have been facing in settling the cumulative trade and other receivable balances owed to the Board. • The magnitude and judgement involved in the collectability assessment of the trade and other receivable balances given the significant delays experienced by the Board in the recovery of the overdue amounts. • The challenges experienced in obtaining confirmations as various government departments are involved and the amounts are considered past due but not impaired. • The outstanding government department related balances have put a strain on the Board's financial well-being as the Board has had to borrow heavily as part of its working capital management (the interest burden on the Board has increased). <p>We considered the following which resulted in us applying judgement in assessing management's views on the cash flows for the receivables at year end:</p> <ul style="list-style-type: none"> • The degree of cash received from the government departments prior to and subsequent to year end, • The discussions the new management had with the government departments and the documented correspondence on the way forward, • The increased degree of engagement by management with the various government departments as a result of the change in management. <p>The trade and other receivables are disclosed in note 5 to the financial statements together with key judgements and estimates described in Note 1.</p>	<ul style="list-style-type: none"> - We held discussions with management about the past due trade and other receivable balances to understand the judgement exercised in assessing the collectability of the trade and other receivables that were past due but not impaired. - We evaluated management's assessment as to the recoverability of the trade and other receivable balances through detailed analyses of the ageing of receivables and on the credit status of the various Government of Botswana Departments. - We evaluated management's assumption and judgment by comparing to the historical collection trends as well as recent communications with the counterparties. - We also obtained corroborative evidence including correspondence with the various Government of Botswana Departments and attempts by management to recover the amounts outstanding. - We also assessed the adequacy of the disclosures regarding the trade and other receivables in the financial statements to determine they were in accordance with IFRS.

INDEPENDENT AUDITOR'S REPORT [CONTINUED]

Other Information

The Members of the Board are responsible for the other information. The other information comprises the General Information and the Board's Responsibility and Approval of Annual Financial Statements, which we obtained prior to the date of this report and the Annual Report which is expected to be made available to us after that date. 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.

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

Responsibilities of the Members of the Board for the Financial Statements

The Members of the Board 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 (Cap 74:06) and for such internal control as the Members of 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 Members of the Board are responsible for assessing the Botswana Agricultural Marketing Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members of 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.

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;



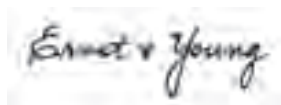
INDEPENDENT AUDITOR'S REPORT [CONTINUED]

- 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 Members of the Board;
- Conclude on the appropriateness of the Members of the Board's 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.
- 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 Members of the Board 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.

We also provide the Members of the Board with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Members of the Board, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore key audit matters. We describe these matters in our audit's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.



Ernst & Young
Practising Member: Thomas Chitambo
Partner
Certified Auditor
Membership Number: 20030022

Gaborone
10 October 2018

STATEMENT OF FINANCIAL POSITION

	Notes	Year Ended 31 March	
		2018 Pula	2017 Pula
ASSETS			
Non current assets			
Property, plant and equipment	2.1	87,223,837	84,350,113
Investment property	2.2	23,265,000	24,180,000
		110,488,837	108,530,113
Current assets			
Inventories	4	159,056,607	163,420,181
Trade and other receivables	5	186,401,446	156,819,742
Cash and cash equivalents	6	10,946,824	11,744,097
		356,404,877	331,984,020
TOTAL ASSETS		466,893,714	440,514,133
EQUITY AND LIABILITIES			
Equity			
Government equity	7	27,455,061	27,455,061
Reserves	7	85,175,670	88,298,785
Retained earnings		5,562,956	67,803,562
Total equity		118,193,688	183,557,408
Current liabilities			
Bank Loan	8	142,250,882	78,420,952
Bank overdraft	11	136,284,770	85,134,653
Trade and other payables	11	61,936,428	78,953,579
Deferred income	9	7,164,700	13,384,293
Provisions	12	1,063,247	1,063,247
		348,700,026	256,956,725
TOTAL LIABILITIES		348,700,026	256,956,725
TOTAL EQUITY AND LIABILITIES		466,893,714	440,514,133



STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended 31 March	
		2018 Pula	2017 Pula
Revenue	14	285,968,581	400,671,002
Costs of sales	15	(268,880,993)	(316,631,787)
Gross Profit		17,087,588	84,039,215
Other income	16	14,174,553	48,885,705
Operating expenses	17	(79,094,449)	(94,092,475)
Operating (loss) / profit		(47,832,308)	38,832,445
Finance income	18	231,278	258,780
Finance costs	19	(16,267,708)	(13,680,735)
(Loss) / Profit for the year before tax		(63,868,738)	25,410,491
Income tax expense	22	-	5,451,077
Tax effect on revaluations	2.1	328,896	-
(Loss) / Profit for the year		(64,197,634)	19,959,414
Other comprehensive income:			
Items that will not in future be recycled to profit or loss			
Gains and losses on property revaluation	2.1	(1,166,087)	-
Other comprehensive income (loss) for the year		(1,166,087)	-
Total Comprehensive income		(65,363,721)	19,959,414

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2017

	Notes	Government Equity	Revaluation Reserve	Stabilization Fund	Development Fund	Retained Earnings	Total Equity
As at 01 April 2016	7	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
Revaluation		-	-	-	-	-	-
		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	19,959,414	19,959,414
Dividends		-	-	-	-	-	-
Revaluation		-	-	-	-	-	-
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



STATEMENT OF CHANGES IN EQUITY [CONTINUED]

Year Ended 31 March 2018							
	Notes	Government Equity	Revaluation Reserve	Stabilization Fund	Development Fund	Retained Earnings	Total Equity
As at 01 April 2017	7	27,455,061	78,281,117	9,017,668	1,000,000	67,803,562	183,557,408
Loss for the period		-	-	-	-	(64,197,634)	(64,197,634)
Revaluation		-	(1,166,087)	-	-	-	(1,166,087)
Total comprehensive income		-	-	-	-	(64,197,634)	(65,363,721)
Dividends		-	-	-	-	-	-
Amortisation of revaluation reserve	7	-	(1,957,028)	-	-	1,957,028	-
As at 31 March 2018		27,455,061	75,158,002	9,017,668	1,000,000	5,562,956	118,193,687

STATEMENT OF CASH FLOWS

	Notes	Year Ended 31 March	
		2018 Pula	2017 Pula
Cash flows from operating activities			
(Loss) / Profit for the year		(64,197,634)	19,959,414
Adjustments for:			
Depreciation	2.1	7,981,632	6,609,360
Deferred income utilised during the year	9	(6,219,593)	(70,988)
Profit on sale of motor vehicle		(164,463)	-
Finance income	18	(231,278)	(258,780)
Finance costs	19	16,267,708	13,680,735
Gain/ (loss) on revaluation investment property	16	(2,165,000)	1,630,000
Changes in working capital:			
Decrease /(Increase) in inventories		4,363,574	(16,643,094)
(Increase) in trade and other receivables		(29,581,704)	(82,758,417)
Decrease trade and other payables		(17,017,151)	14,198,464
Cash generated from operations		(90,963,909)	(43,653,306)
Interest received	18	231,278	258,780
Interest paid	19	(16,267,708)	(13,680,735)
Net cash used in operating activities		(107,000,339)	(57,075,261)
Cash flows from investing activities			
Purchase of property, plant and equipment	2.1	(9,105,874)	(5,276,919)
Work in progress	2.3	-	(1,388,580)
Net cash used in investing activities		(9,105,874)	(6,665,499)
Cash flows from financing activities			
Cash received from borrowings		177,538,736	160,000,000
Loan repayments		(113,708,806)	(141,836,365)
Dividends paid		-	-
Net cash flows used in financing activities		63,829,930	18,163,635
Net decrease in cash and cash equivalents		(52,276,283)	(45,577,124)
Net foreign exchange difference		-	-
Cash and cash equivalents at beginning of year		(73,390,557)	(27,813,430)
Cash and cash equivalents at end of the year		(125,666,842)	(73,390,557)



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 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.

These annual financial statements were approved by the Members of the Board on 18 September 2018.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY [Continued]

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. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

2.5 Revaluation of property, plant and equipment

The Board measures property plant and equipment at revalued amounts with changes in fair value being recognised in other comprehensive income. The Board engaged an independent valuation specialist to revalue land and buildings in 2018. 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).

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 2018, 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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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.

Land and buildings, motor vehicles and plant are 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. Furniture and fittings are carried at cost less depreciation.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

4 FINANCIAL INSTRUMENTS [Continued]

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.

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.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

4.9 Derecognition [Continued]

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. Tax expense is recognised in the statement of comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

5.1 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities which affect neither the tax profit nor the accounting profit at the time of the transaction.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

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, and 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 and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

6 LEASES [Continued]

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

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

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

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

8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

8 IMPAIRMENT OF NON-FINANCIAL ASSETS [Continued]

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.

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

10 GOVERNMENT GRANTS [Continued]

10.2 Government grants related to income

These are government grants other than those related to assets.

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

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

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

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

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

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

13 REVENUE

Revenue is recognised when it is probable that future economic benefits will flow to the entity and those benefits can be measured reliably.

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
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

13 REVENUE [Continued]

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.

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 profit & loss 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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

16 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.

17 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 2018. BAMB anticipates that all of the Standards and Interpretations will be adopted in its financial statements 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

17 NEW AND AMENDED STANDARDS AND INTERPRETATIONS [Continued]

IFRS 9 Financial Instruments: Classification and Measurement [Continued]

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 or IFRS 16 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 (effective date is for periods beginning on or after 1 January 2018)

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 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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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

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)

Amendments clarifies 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. 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 hindsight. Management has no intention to change the use of its property.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This will have an impact on the Board as the Board has dealings with foreign suppliers. The Board intends to adopt the new standard for its foreign transactions on the required effective date.

IFRIC 23 Uncertainty over income tax treatments (Effective for annual periods beginning on or after 1 January 2019)

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

17 NEW AND AMENDED STANDARDS AND INTERPRETATIONS [Continued]

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This will have an impact on the Board as it is currently in a loss position. The board intends to adopt the new standard on the required effective date.

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.



NOTES TO THE FINANCIAL STATEMENTS

2.1 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Furniture and Fixures	Motor vehicles	Plant and Machinery	Total Pula
2018					
Cost					
At beginning of year	89,609,318	1,714,377	12,568,225	14,750,835	118,642,754
Additions	4,408,836	120,017	4,331,187	245,835	9,105,874
Disposals	(2,596,397)	(266,468)	(809,821)	(1,786,412)	(5,459,098)
Reclassification from Investment Property	3,080,000	-	-	-	3,080,000
Revaluation	(5,898,154)	-	3,162,721	1,240,450	(1,494,983)
At end of year	88,603,602	1,567,926	19,252,311	14,450,708	123,874,547
Accumulated Depreciation					
At beginning of year	14,542,612	1,177,635	10,932,484	7,639,924	34,292,656
Charge for the year	3,297,781	227,478	2,220,547	2,235,826	7,981,632
Disposals	(3,139,459)	(266,437)	(432,706)	(1,784,961)	(5,623,563)
At end of year	14,700,934	1,138,677	12,720,325	8,090,789	36,650,725
Carrying amount					
At beginning of year	75,066,706	536,741	1,635,740	7,110,911	84,350,098
At end of year	73,902,668	429,249	6,531,986	6,359,919	87,223,823
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
Disposals	-	-	-	-	-
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
Disposals	-	-	-	-	-
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

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

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:

	Land and Buildings	Furniture and Fixures	Motor vehicles	Plant and Machinery	Total Pula
2018					
Cost	94,501,756	1,567,926	16,089,590	13,210,258	125,369,530
Accumulated depreciation and impairment	(77,238,187)	(1,138,676)	(12,720,325)	(8,090,789)	(99,187,978)
Net carrying amount	17,263,570	429,250	3,369,265	5,119,469	26,181,552
Revaluation of assets during the 2018 financial year					
Property, plant and equipment were revalued by the Board effective 31 March 2018 which resulted in a revaluation loss of P1.4million.					
					Total Pula
Revaluation amount					(1,494,983)
Tax at 22%					(328,896)
Revaluation amount nett of tax					(1,166,087)

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

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 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.

	Note	31 March 2018	31 March 2017
Opening balance at 1 April		24,180,000	25,810,000
Net gain/ (loss) from fair value adjustment		2,165,000	(1,630,000)
Transfer from investment to land and buildings		(3,080,000)	-
Closing balance	25	23,265,000	24,180,000
		2018	2017
Rental income derived from investment properties		1,858,930	1,935,484
Profit arising from investment properties		1,858,930	1,935,484

Description of valuation techniques

	Valuation technique	Significant unobservable input
Commercial properties	Open market approach	Estimated rental value per square metre (sqm) P20 - P50/m2 Growth rate - 8.50% - 10%

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

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

2.2 INVESTMENT PROPERTY [Continued]

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

There was no work in progress as at 31st March 2018, (2017: P1 388 580)

	31 March 2018	31 March 2017
Opening balance at 1 April	1,388,580	3,139,198
Transfer from work in progress to land and buildings	(1,388,580)	(1,750,618)
Closing balance	-	1,388,580



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

3 FINANCIAL ASSETS BY CATEGORY

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

2018	Loans Receivables	Total
Cash and cash equivalents	10,946,824	10,946,824
Trade and other receivables	183,507,837	183,507,837
	<u>194,454,661</u>	<u>194,454,661</u>
2017		
Cash and cash equivalents	11,744,097	11,744,097
Trade and other receivables	154,123,753	154,123,753
	<u>165,867,849</u>	<u>165,867,849</u>
The carrying value less impairment provision of trade receivables and cash and cash equivalents are assumed to approximate their fair values.		
4 INVENTORIES		
Merchandise	174,737,025	175,190,245
Inventory write-downs	(15,680,418)	(11,770,064)
	<u>159,056,607</u>	<u>163,420,181</u>

The Board maintains Strategic Grain Reserves (SGR) on behalf of the Government of Botswana. The values of the inventories are excluded from the year end inventory value recorded in the books of the Board. These are separately recorded in the financial records of the Strategic Grain Reserve. The Reserve's inventory balance at reporting date was valued at P102,996,240 (2017: P103,299,486). The inventories held by the Board are sorghum, maize, pulses, fertilizers and seeds.

Encumbered assets

Deed of hypothecation for 50mil over stocks and receivables registered in favour of the bank.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

5 TRADE AND OTHER RECEIVABLES

	Year Ended 31 March	
	2018 Pula	2017 Pula
Trade receivables	209,342,587	175,838,353
Provision for doubtful debts	(25,834,751)	(21,714,601)
	183,507,837	154,123,753
Prepayments	2,893,610	2,695,990
Trade and other receivables	186,401,446	156,819,742
The trade and other receivables composition s as follows:		
Government receivables	144,223,083	151,284,011
Other receivables	65,119,505	24,554,342
	209,342,587	175,838,353

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. Government receivables have not been impaired as they are with the parent Ministry and will be recovered.

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 asesess the potential customers'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 the 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, 2018, P13,046,665 (2017: P27,711,606) 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.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

5 TRADE AND OTHER RECEIVABLES [Continued]

	Year Ended 31 March	
	2018 Pula	2017 Pula
The ageing of the amounts past due but not impaired is as follows:		
1 month past due	5,148,100	6,472,583
2 months past due	5,685,973	10,762,754
3 months past due	2,212,592	10,476,269
	13,046,665	27,711,606
Trade and other receivables which are current and are neither past due nor impaired amount to P34,275,963 to 2017: P126,412,147		
Trade and other receivables impaired		
As of 31 March, 2018, the trade and other receivables of PO (2017: P21 714 601) were impaired and provided for. The ageing of these loans is as follows:		
Over 3 months	161,455,767	21,714,601
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	21,714,601	10,976,445
Additional amounts raised	(4,120,150)	10,738,155
	25,834,751	21,714,601

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.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

6 CASH AND CASH EQUIVALENTS

	Year Ended 31 March	
	2018 Pula	2017 Pula
Bank balances	3,293,999	4,336,287
Cash on hand	234,412	161,627
Short term deposits (28 days)	7,418,413	7,246,183
	<u>10,946,824</u>	<u>11,744,097</u>
Reconciliation of Cash & Cash Equivalents to the Statement of Cashflow:		
Cash & cash equivalents	10,946,824	11,744,097
Bank Overdraft	(136,284,770)	(85,134,653)
Cash and cash equivalents at end of the year per SOCF	<u>(125,337,946)</u>	<u>(73,390,557)</u>

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

Botswana Pula Overdraft facility of P30 million 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 USD800,000 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.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

6 CASH AND CASH EQUIVALENTS [Continued]

Botswana Pula guarantee facility limit of P11 million 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 Board's overall banking facility with First National Bank Botswana Limited, consist of various facilities as follows:-

Botswana Pula Overdraft facility of P10 million 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 P29.8 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 guarantee issued on behalf of Local Government was P7.1 million as at year end.

The Board's overall banking facility with BancABC is;

Botswana Pula Overdraft facility of P20 million 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 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.

The Board's overall banking facility with Stanbic bank, consist of various facilities as follows:-

Botswana Pula general short term banking facility in the form of an overdraft of 50million which was utilised for general working capital requirements

A spot foreign currency dealing facility (Spots FX Facility) of USD 1 million.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

7 EQUITY AND RESERVES

	Year Ended 31 March	
	2018 Pula	2017 Pula
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	78,281,117	80,287,228
Revaluation surplus amount	(1,166,087)	-
Amortised during the year	(1,957,028)	(2,006,110)
Reversal of revaluation reserve	-	-
	75,158,003	78,281,117

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; 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



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

7 EQUITY AND 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 for various development programmes approved by the Minister responsible for Agriculture.

	Year Ended 31 March	
	2018 Pula	2017 Pula
At the beginning of the year	1,000,000	1,000,000
	1,000,000	1,000,000

8 BANK LOAN

The Board has a facility with Barclays Bank of Botswana.

Barclays Bank of Botswana	142,250,882	78,420,952
	142,250,882	78,420,952

The Board had a one year tenure loan of P140 million with BancABC at prime lending rate which was settled January 2018.

The board has a one year tenor short loan facility with Barclays Bank of Botswana of P150 million utilised for general working capital requirements. At an interest rate of 5.5%. The balance outstanding is P142.2 million.

Terms and conditions of the loan;

Security cover ratio to be a minimum of 111% at all times.

Monthly stock declaration reflecting value of commodity, per location and prices.

Collateral management; bank's nominated individuals to visit select storage sites to verify paper based information provided by the board.

All insurance policies for assets secured in favour of the Bank with all assets insured against all risks and their replacement value.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

9 GOVERNMENT GRANTS

Deferred income mainly relates to unexpended balance of grants received from the Government of Botswana . The grant was utilised to purchase 5 additional 10 Mt trucks.

	Year Ended 31 March	
	2018 Pula	2017 Pula
Opening balance	13,384,293	13,455,281
Utilised balance during the year	(6,219,593)	(70,988)
Additional grant from Government	-	-
Un-utilised grant income	7,164,700	13,384,293

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.

11 TRADE AND OTHER PAYABLES

Trade payables	44,447,780	59,581,545
Payroll accruals	5,048,221	6,765,777
Tax payable	5,285,247	5,451,077
	54,781,248	71,798,399
Dividends accrued	7,155,180	7,155,180
	61,936,428	78,953,578
Bank overdraft	136,284,770	85,134,653

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.



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

	Year Ended 31 March	
	2018 Pula	2017 Pula
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

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 ad 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.

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	328,031,653	229,902,927
Bank loan	142,250,882	78,420,952
Bank overdrafts	136,284,770	85,134,653
	606,567,305	393,458,533

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

14 REVENUE		
Strategic Grain Reserve management fees	16,677,120	14,464,482
Sale of goods	269,291,461	386,206,519
	285,968,581	400,671,002

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.

15 COST OF SALES		
Cost of goods sold	246,520,340	299,483,959
Inventory losses and allowances	15,680,418	11,770,064
Transport subsidy received from Ministry of Agriculture	(2,501,554)	(3,100,000)
Distribution costs	10,739,297	13,871,984
Discounts received	(1,557,508)	(5,394,220)
	268,880,993	316,631,787

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

	Year Ended 31 March	
	2018 Pula	2017 Pula
16 OTHER INCOME		
Rent received	1,858,930	1,935,484
Sundry income	10,037,932	48,573,601
Bad debt recovered	-	6,621
Investment property revaluation	2,165,000	(1,630,000)
Profit on sale of assets	112,692	-
	14,174,553	48,885,705

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	920,370	74,000
After one year but not more than five years	1,692,739	4,231,848
More than five years	-	-
	2,613,109	4,305,848



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

	Year Ended 31 March	
	2018 Pula	2017 Pula
17 OPERATING (PROFIT) / LOSS	47,832,308	(38,832,445)
Operating (profit) loss for the year is stated after accounting for the following:		
Board members' sitting fees and expenses	104,189	26,120
Travelling and accommodation	6,281,284	5,302,986
(Profit)/Loss on foreign exchange	(9,396,373)	(835,334)
Repairs and maintenance	757,095	3,720,914
Telephone and fax	2,282,175	2,163,603
Office and general expenses	13,656,611	13,080,592
Motor vehicle expenses	1,019,343	1,433,162
Impairment of trade and other receivables	4,118,281	10,738,155
Advertising	2,879,814	3,983,994
Insurance	1,878,140	1,094,384
Security	3,266,073	2,871,095
Depreciation on property, plant and equipment	7,981,632	6,609,360
Employee costs	43,050,447	43,046,981
Pension contribution expense	1,215,738	856,462
	79,094,449	94,092,475
18 FINANCE INCOME		
Interest revenue		
Bank	177,914	216,802
Interest charged on trade and other receivables	53,364	41,978
	231,278	258,780
19 FINANCE COSTS		
Interest on Overdraft	3,144,694	3,288,363
Interest on loans	13,123,015	10,392,372
	16,267,708	13,680,735
20 AUDITORS REMUNERATION		
Fees	398,720	345,000
	398,720	345,000

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

	Year Ended 31 March	
	2018 Pula	2017 Pula
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	-	-
Refurbishment of BAMB warehouses	5,908,255	5,276,919
	5,908,255	5,276,919

	Year Ended 31 March	
	2018 Pula	2017 Pula
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	328,896	-
Taxation expense	328,896	5,451,077
Tax rate reconciliation		
Profit before tax	(63,868,738)	25,410,491
Profit for the nine months (July- March)	-	19,057,868
Company tax at 22%	(14,051,122)	4,192,731



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

	Year Ended 31 March	
	2018 Pula	2017 Pula
22 TAXATION [continued]		
Adjustment for:		
Non-taxable income	-	-
Non-deductible expenses	14,051,122	1,258,346
Taxation expense	-	5,451,077
Deferred tax assets/(liabilities)		
Opening balance	(1,481,552)	-
Wear and tear allowance	1,717,352	92,598
Provisions	(233,914)	(1,574,150)
Temporary differences arising from other balance sheet items	22,365,007	-
Unrecognised deferred tax	(22,366,893)	-
Net deferred tax liability/(asset)	-	(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: (2017:P7,585,900).

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 BWP 246 690 (2017): BWP 246 690).

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

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	L. Morakaladi (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.

	Year Ended 31 March	
	2018 Pula	2017 Pula
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	14,924,765	25,207,605
Department of Local Government Finance and Procurement	14,356,025	18,208,042
Department of Veterinary Services	15,656,274	26,439,258
Government of Botswana - Strategic Grain Reserve	82,608,899	66,964,624
Government of Botswana - Strategic Grain Reserve (administration fees)	16,677,120	14,464,482
	144,223,083	151,284,011
Related party transactions		
Purchases from related parties		
Government of Botswana - Strategic Grain Reserve	-	53,243,114
Board member fee and expenses		
Sitting fees and expenses	104,189	26,120
Grants and fees received from Government of Botswana		
Strategic Grain Reserve management fees	16,677,120	14,464,482
Transport subsidy - Ministry of Agriculture	2,501,554	3,100,000
Sales to related parties		
Department of Crop Productions	9,404,300	59,012,496
Department of Local Government Finance and Procurement	5,810,390	69,561,883
Government of Botswana	77,059,327	35,345,916
Compensation of key management personnel		
Short term employee benefits	3,603,207	3,565,741
Gratuity and leave pay	5,090,329	3,792,388



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

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.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

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.

	Not later than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Total Amount
At 31 March, 2018				
Trade and other payables	22,546,208	12,779,490	9,122,081	44,447,780
Loan obligations	-	142,250,882	-	142,250,882
Bank overdraft	-	136,284,770	-	136,284,770
	22,546,208	291,315,142	9,122,081	322,983,432
At 31 March, 2017				
Trade and other payables	17,470,122	35,627,936	6,279,737	59,377,795
Loan obligations	-	78,420,952	-	78,420,952
Bank overdraft	-	85,134,653	-	85,134,653
	17,470,122	199,183,542	6,279,737	222,933,401

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, 2018, 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 P813,385.42 (2017: P684,036.75) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

25 RISK MANAGEMENT [continued]

Cash flow interest rate risk

	Current interest rate	Due in less than 1 year	Due in more than two years
Financial instrument			
Short term deposits	5.85%	7,418,413	-
BWP call deposits	2.50%	3,301,499	-
loans	9.0%	-	-
Interest charged on overdraft	8.50%	136,284,770	-

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.

	Year Ended 31 March	
	2018 Pula	2017 Pula
Financial instrument		
Trade receivables	186,401,446	156,819,742
Cash and cash equivalents	10,946,824	11,744,097

The Board does not hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

25 RISK MANAGEMENT [continued]

Determination of fair values and fair values hierarchy

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

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

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

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

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

The following table represents the company's assets and liabilities that are measured at fair value as at 31 March 2018



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

25 RISK MANAGEMENT [continued]

Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2018:

		Notes	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	Date of valuation					
Investment properties						
- Physical properties	31-Mar-18	2.2	-	-	23,265,000	23,265,000
Property, plant and equipment						
- Land and buildings	31-Mar-18	2	-	-	73,902,668	73,902,668
- Furniture and fixture	31-Mar-18	2	-	-	429,249	429,249
- Motor vehicles	31-Mar-18	2	-	-	6,531,986	6,531,986
- Plant and machinery	31-Mar-18	2	-	-	6,359,919	6,359,919
			-	-	110,488,823	110,488,823

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

	Date of valuation					
Investment properties						
- Physical properties	31-Mar-17		-	-	22,550,000	22,550,000
Property, plant and equipment						
- Land and buildings	31-Mar-17		-	-	77,079,865	77,079,865
- Furniture and fixture	31-Mar-17		-	-	622,275	622,275
- Motor vehicles	31-Mar-17		-	-	2,620,742	2,620,742
- Plant and machinery	31-Mar-17		-	-	3,971,199	3,971,199
			-	-	106,844,081	106,844,081

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.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

25 RISK MANAGEMENT [continued]

	Increase / (decrease) in exchange rate	Effect on profit	Effect on Equity
2018	5% (5%)	727,905 (727,905)	727,905 (727,905)
2017	5% (5%)	837,808 (837,808)	837,808 (837,808)

Exchange Rates

The amounts reported below are exchange rates against the Pula.

	2017 Pula	2018 Rand	2017 Rand
Exchange rate	1	1.2161	1.3140

Determination of fair values and fair values hierarchy

Level 3 valuation

Investment Properties - Refer to accounting policy note 15 on how fair value is determined.

Property, plant and equipment - Refer to accounting policy note 3 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.



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

25 RISK MANAGEMENT [continued]

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	Total
Level 3 Financial Assets						
31 March 2018						
Balance	23,265,000	73,902,668	429,249	6,531,986	6,359,919	110,488,823
Adjusted due to IFRS 13	-	-	-	-	-	-
Total gains/(loss) in comprehensive income	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Settlements/ Repayments	-	-	-	-	-	-
	23,265,000	73,902,668	429,249	6,531,986	6,359,919	110,488,823

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

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable input	Quantitative data
Properties	3	Discounted cash flow model (DCF)	Consumer Price index	Capitalisation rate	9 - 14%
Furniture and fixtures	3	Management assessment of useful life and replace- ment	"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

The board defaulted on the repayment of the Barclays loan which was due in May 2018, new terms of the loans are being re negotiated the current outstanding balance of P90 million is estimated to be paid over a period of 12 months. Other than that 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.



BAMB
BOTSWANA AGRICULTURAL
MARKETING BOARD

**ANNUAL
REPORT
2018**



BAMB

BOTSWANA AGRICULTURAL
MARKETING BOARD

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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GENERAL INFORMATION

Country of Incorporation and Domicile:	Botswana
Nature of business and principal activities:	<p>Holding of Strategic Grain Reserve for the Government of Botswana.</p> <p>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.</p>
Members of the Board (SGR)	<p>Leonard Morakaladi (Chief Executive Officer of the managing agent)</p> <p>Elvis Ncaagae (resigned 22 May 2018)</p> <p>Tobile Lemo (Head of Finance of the managing agent - appointed 1 September 2018)</p>
Company Secretary:	Mr Keefentse Gaebowe
Registered Office:	<p>Plot 130, Unit 3 & 4 Nkwe Square Gaborone International Finance Park Gaborone Botswana</p>
Postal address:	<p>Private Bag 0053 Gaborone Botswana</p>
Auditor:	<p>Ernst & Young 2nd Floor, Plot 22 Khama Crescent Gaborone</p>
Company registration number:	687900
Managing Agent:	Botswana Agricultural Marketing Board
Measurement and presentation currency:	Botswana Pula



THE BOARD'S 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 Strategic Grain Reserve's assets. According to the Agency Agreement of 13 October 2009, the Strategic Grain Reserve appoints the External Auditor, and 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 Statement based on their audit of the affairs of the Strategic Grain Reserve.

After making enquiries the Board has 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 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 Strategic Grain Reserve and to ensure that all transactions are duly authorised.

Against this background, the Board accepts responsibility for the Annual Financial Statements on pages 78 to 97, which were signed on its behalf by:



.....
Mr Leonard Morakaladi
(Chief Executive Officer of the managing agent)



.....
Ms Tobile Lemo
(Head Of Finance)

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE STRATEGIC GRAIN RESERVE

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 97 which comprise the statement of financial position as at 31 March 2018, 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 2018, 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 the 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 the 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 Members of the Board are responsible for the other information. The other information comprises the General Information and the Board's Responsibility and Approval of Annual Financial Statements, which we obtained prior to the date of this report and the annual report, which is expected to be made available to us after that date. 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.

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

Responsibilities of the Members of the Board for the Financial Statements

The Members of the Board 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 Members of 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 Members of the Board 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 Members of the Board either intend to liquidate the Strategic Grain Reserve or to cease operations, or have no realistic alternative but to do so.



INDEPENDENT AUDITOR'S REPORT [CONTINUED]

Those charged with governance are responsible for overseeing the Strategic Grain Reserve's financial reporting processes.

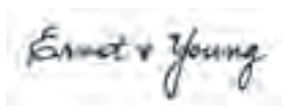
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 Members of the Board;
- Conclude on the appropriateness of the Members of the Board's 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 Members of the Board 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: Thomas Chitambo
Partner
Certified Auditor
Membership Number: 20030022

Gaborone
10 October 2018

STATEMENT OF FINANCIAL POSITION

	Notes	Year Ended 31 March	
		2018 Pula	2017 Pula
Current assets			
Inventories	2	102,996,240	103,299,486
Trade and other receivables	3	3	910,276
Cash and cash equivalents	4	1,646,528	1,682,436
		104,642,771	105,892,198
TOTAL ASSETS		104,642,771	105,892,198
EQUITY AND LIABILITIES			
Equity			
Reserves	7	205,389,405	205,389,405
Accumulated profit /(loss)		(183,355,533)	(166,461,831)
Total equity		22,033,872	38,927,574
Current liabilities			
Trade and other payables	5	82,608,899	66,964,624
		82,608,899	66,964,624
TOTAL LIABILITIES		82,608,899	66,964,624
TOTAL EQUITY AND LIABILITIES		104,642,771	105,892,198



STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended 31 March	
		2018 Pula	2017 Pula
Revenue	8	-	53,243,114
Costs of sales	9	(303,246)	(53,578,812)
Gross Profit		(303,246)	(335,698)
Administration expenses	11	(16,676,397)	(14,468,328)
Operating expenses	12	49,788	(47,314,761)
Operating Profit /(Loss)		(16,626,609)	(61,783,089)
Finance income	10	36,154	36,370
Profit /(Loss) for the year		(16,893,701)	(62,082,416)
Other comprehensive income		-	-
Total Comprehensive income		(16,893,701)	(62,082,416)

STATEMENT OF CHANGES IN EQUITY

	Notes	Year Ended 31 March		
		Reserves	Accumulated Profit /(Loss)	Total Equity
Balance at 31 March 2016	7	205,389,405	-104,379,416	101,009,989
Total comprehensive income		-	-62,082,416	(62,082,416)
Balance at 31 March 2017	7	205,389,405	-166,461,832	38,927,573
Adjustment				
Total comprehensive income		-	(16,893,701)	(16,893,701)
Balance at 31 March 2018		205,389,405	(183,355,533)	22,033,872



STATEMENT OF CASH FLOWS

	Notes	Year Ended 31 March	
		2018	2017
		Pula	Pula
Cash flows from operating activities			
Profit/(Loss) for the year		(16,893,701)	(62,082,416)
Adjustments for:			
Profit/(Loss) on foreign exchange		73,968	59,329
Finance income	10	(36,154)	(36,370)
Changes in working capital:			
Decrease(increase) in inventories		303,245	1,285,973
Decrease(Increase) in trade and other receivables		910,272	(910,276)
Increase in trade and other payables		15,644,275	61,838,572
Cash generated from /(Utilised in) operations		1,905	154,813
Interest received	10	36,154	36,370
Net cash from operating activities		38,059	191,183
Net increase/(decrease) in cash and cash equivalents		38,059	191,183
Net foreign exchange difference		(73,968)	(59,329)
Cash and cash equivalents at beginning of year	4	1,682,437	1,550,584
Cash and cash equivalents at end of the year	4	1,646,528	1,682,437

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. 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.

These annual financial statements were approved by the Board on 18 September 2018.

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 [CONTINUED]

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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 and subsequently measured at amortised cost. 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.

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

3 FINANCIAL INSTRUMENTS [continued]

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.

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 occur when the contract of sale is signed by both parties. Interest is recognised, in profit or loss, using the effective interest rate method.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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.

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.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

10 STANDARDS ISSUES BUT NOT EFFECTIVE IN THE CURRENT YEAR [continued]

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2018	2017
	Pula	Pula
2 INVENTORY		
Merchandise	103,299,486	103,299,486
Inventory write-downs	303,246	-
	<u>102,996,240</u>	<u>103,299,486</u>

As per the agency agreement the minimum inventory levels for maize should be 5 000mt however at year end the level was 0mt.

3 TRADE AND OTHER RECEIVABLES

Trade Receivables	3	910,276
	<u>3</u>	<u>910,276</u>

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 2018, P3.00 (2017 P910.276) 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.



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

	Year Ended 31 March	
	2018	2017
	Pula	Pula
4 CASH AND CASH EQUIVALENTS		
Bank Balances	1,646,528	1,682,436
Short term deposits	-	-
	<u>1,646,528</u>	<u>1,682,436</u>
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.		
5 TRADE PAYABLES		
Trade Payables	82,608,899	66,964,624
	<u>82,608,899</u>	<u>66,964,624</u>

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.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

6 FINANCIAL INSTRUMENTS

	Carrying Value 2018	Fair Value 2018
FINANCIAL ASSETS		
Loans and receivables;		
Trade and other receivables	3	3
Cash and cash equivalents	1,646,528	1,646,528
	1,646,531	1,646,531
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost;		
Trade payables	82,608,899	82,608,899
	82,608,899	82,608,899
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	66,964,624
	66,964,624	66,964,624



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

	Year Ended 31 March	
	2018	2017
	Pula	Pula
7 RESERVES AND CAPITAL		
Opening balance	205,389,405	205,389,405
Amounts received during the year	-	-
	<u>205,389,405</u>	<u>205,389,405</u>

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
	<u>-</u>	<u>53,243,114</u>

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
Inventory write down	303,246	-
	<u>303,246</u>	<u>53,578,812</u>

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

	Year Ended 31 March	
	2018	2017
	Pula	Pula
10 FINANCE INCOME		
Interest Income	36,154	36,370
	<u>36,154</u>	<u>36,370</u>
11 ADMINISTRATION EXPENSES		
Administration charges	16,674,458	14,464,482
Bank charges	1,939	3,846
Audit Fees	-	-
	<u>16,676,397</u>	<u>14,468,328</u>
12 OPERATING EXPENSES		
Unrealised Exchange gain/loss	(49,788)	(59,329)
Bean subsidy	-	47,374,090
	<u>(49,788)</u>	<u>47,314,761</u>



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

13 RELATED PARTIES

Relationships

Owner with significant influence	Government of Botswana
Members of the Reserve	Refer to general information page
Members of key management	Leornard Morakaladi (Chief Executive Officer)
	E Ncaagae
	C Mokgoko
	K Gaebowe
	T Seitshiro
	S Chikunyana

	Year Ended 31 March	
	2018	2017
	Pula	Pula
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
Amounts included in trade receivables regarding related parties		
Botswana Agricultural Marketing Board	3	910,276
Amounts included in trade payables regarding related parties		
Botswana Agricultural Marketing Board	82,608,899	66,964,624
Administration fees paid to related parties		
Botswana Agricultural Marketing Board	16,674,458	14,464,482

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 2018 the reserve had P102,996.40 inventory to be sold to the Board next financial year.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

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 of 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.



NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

14 RISK MANAGEMENT [Continued]

Cash flow interest rate risk

Financial instrument	Current interest rate	Year Ended 31 March	
		Due in less than one year	Due in more than two years
31 March 2018			
Bank balances	2.60%	1,646,528	-
31 March 2017			
Bank balances	2.60%	1,550,583	-

	Change in interest rate	Effect on profit before tax	Effect on equity
2018	+5%	2,187	2,187
	-5%	2,187	2,187
2017	+5%	2,016	2,016
	-5%	2,016	2,016

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.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

14 RISK MANAGEMENT [Continued]

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 the Government with funding requirements when adequate funding resources are not available as the Reserve is in itself a Statutory Corporation.

	Less than one year	Between 2 and 5 years	Over 5 years
At 31 March, 2018			
Trade and other payables	82,608,899	-	-
At 31 March, 2017			
Trade and other payables	66,964,624	-	-

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Reserve's exposure to the risk of changes in foreign exchange rates relates primarily to the Reserve's operating activities (when foreign currency bank balances are revalued).

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the ZAR exchange rates, with all other variables held constant. The impact on the Reserve's profit before tax is due to changes in the fair value of monetary assets.

The Reserve's exposure to foreign currency changes for all other currencies is not material.

	Change in rate	Effect on profit before tax	Effect on equity
2018	+5%	69,584	69,584
	-5%	69,584	69,584
2017	+5%	69,584	69,584
	-5%	69,584	69,584

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

15 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.

