

UNLOCKING PROSPERITY THROUGH EFFICIENT MARKETS

Annual Report
2016





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

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

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COMPANY PROFILE



OUR MANDATE

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



POWERS OF BAMB CONFERRED BY THE ACT

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

THE ACT ALSO REQUIRES BAMB

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

OUR VISION

To lead, to empower and grow the market for grain

OUR MISSION

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

VALUES

- Innovation
- Integrity
- Teamwork
- Efficiency



COUNTRYWIDE BRANCHES

Head Office

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

Francistown Branch

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

Maun Branch

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

Gaborone Branch

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

Selibe Phikwe Branch

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

Serowe Branch

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

Pandamatenga Branch

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

Kanye Branch

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

Palapye Branch

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

Mahalapye Branch

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

Pitsane Branch

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

Moshupa Branch

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

Tutume Branch

Tel: 247 0005

Jwaneng Branch

Tel: 588 3311

Hukuntsi Branch

Tel: 651 0343

Molepolole Branch

Tel: 590 6050

SALES OFFICES

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



PRODUCTS

BAMB offers the following to the farming community and consumers:

Agricultural Produce

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

Processed Foods

Mosuthane which is dehulled sorghum grain with no preservatives.

Ntlatlawane is sorghum whole meal with no preservatives.

Agricultural farming inputs

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



Animal Feed

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

Veterinary Services

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

SERVICES

Custodians of Government Strategic Grain Reserve

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

Product Development and Market Information:

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

Contract Farming:

Under this scheme BAMB identifies a market for a particular crop and contracts farmers to produce and supply BAMB with crops such as sorghum, maize, cowpeas or beans at agreed price and

quantities prior to planting. This helps to minimize farmers exposure to price risks due to price fluctuations dictated by market conditions, hence empowering local farmers to commercialize their arable farming operations.

This arrangement facilitates forward buying and selling of commodities well ahead of delivery of the physical commodity. This facility is open to any farmer who produces locally provided he can produce 10Mt or more per crop. Small farmers can combine their produce to meet the minimum of 10Mt.

The Benefits include amongst others:

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



BOARD MEMBERS

DAVID TIBE BOARD CHAIRPERSON

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

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

KABELO BINNS DEPUTY BOARD CHAIRPERSON

Kabelo is the owner and Managing Director of Hotwire PRC and Wired Y&R, a Public Relations and Marketing Services company.

He worked for Debswana from 2000 as a Communications Officer in Orapa and rose through the ranks, until he became Group Public Affairs Manager in 2004 to 2006.



He was the Corporate Social Investment Manager at the time he left the company. Kabelo has a Bachelor of Arts Degree with Honours, Public Relations with Information Technology from the University of Exeter, United Kingdom and holds professional qualifications such as Chartered Member of the Institute of Public Relations.

(CIPR- UK) and Chartered Public Relations Practitioner (PRISA- Southern Africa).

SHABOYO MOTSAMAI BOARD MEMBER

Shaboyo is the proprietor of Motsamai Attorneys and she has 23 years of continuous practice, three of which were spent as a Prosecutor practising criminal law at the Attorney General's Chambers. She has been in private practice for the past 20 years. He has an LLB from the University of Botswana and has a professional training in International Development Law.

BOARD MEMBERS

She is a member of the Law Society of Botswana and has served in the law reform Committee of the Law Society and in the Dispute Resolution Committee of the Independent Electoral Commission.

THEMBISILE PHUTHEGO BOARD MEMBER

Thembisile is the Managing Director of Wall Street Investment, a company that provides financial advice, mentoring and financial management services to small, macro and medium enterprises. She has previously worked for Barclays Bank for a period of 25 years. During this period she served in various management positions such as Retail Director, Sales and Marketing Director and Acting Managing Director.

She holds a Diploma in Management Studies from Buckinghamshire, UK, Associate Diploma in Banking, BA Administration from the University of Botswana and a Masters of Business Administration from Buckinghamshire Chilterns, UK.

OEMETSE NKOANE BOARD MEMBER

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

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

JACOB VAN DER WESTHUIZEN BOARD MEMBER

Jacob is one of the Pandamatenga farmers. Having ventured into Farming in 2002, he farms mainly on sorghum, millet and beans.



BOARD MEMBERS



**DAVID
TIBE**
BOARD CHAIRPERSON



**KABELO
BINNS**
DEPUTY BOARD
CHAIRPERSON



**OEMETSE
NKOANE**
BOARD MEMBER



**THEMBISILE
PHUTHEGO**
BOARD MEMBER



**RUTH
MAPHATHI**
BOARD MEMBER



**MOLEFI
KEAJA**
BOARD MEMBER



**SHABOYO
MOTSAMAI**
BOARD MEMBER



**JACOB
VAN DER WESTHUIZEN**
BOARD MEMBER



BOARD MEMBERS

He cultivates a total of 1000ha annually, a third of which are legume crops and the rest cereals. These are supplied to BAMB, SMU, and Savannah Seeds. The farm also carries small stock and cattle. He has a Bcom Agricultural Economics from the University of Pretoria.

RUTH MAPHATHI BOARD MEMBER

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

She has previously been at the helm of Botswana Post as Acting Director General for a period of 12months. She has served as a Board Secretary for a substantial part of her career.

Mphathi has also served in the Boards of the National Development Bank and Botswana Savings Bank.



She holds a Bachelor of Commerce from the University of Botswana and a Masters Degree- Professional Accounting from the University of Washington.

MOLEFI KEAJA BOARD MEMBER

Molefi is currently the Deputy Permanent Secretary - Governance in the Ministry of Local Government, a position he has held since 2009.

He is responsible for overseeing departments of Local Government Development Planning, Local Government Finance and Procurement Services as well as department of Tribal Administration.

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

MANAGEMENT

CORNELIUS MOKGOKO
OPERATIONS MANAGER



THABO SEITSHIRO
MARKETING MANAGER



EDISON N. WOTHO
CHIEF EXECUTIVE OFFICER



SHIRLEY CHIKUNYANA
ACTING INTERNAL AUDITOR



ELVIS NCAAGAE
FINANCE MANAGER



KEEFENTSE GAEBOWE
HUMAN RESOURCE
& ADMINISTRATION
MANAGER



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

Sir

The 2016 financial year has shown another significant growth in revenue for Botswana Agricultural Marketing Board (BAMB) from P278 million in 2015 to P332 million. This year's growth in revenue was mainly attributed to sale of animal feeds, veterinary medicines and agricultural produce. We have recorded a profit of P34,041,625 for the year ended 31st March 2016 as compared to a loss of P3, 468,044 in the previous year.

This year's growth in revenue for Botswana Agricultural Marketing Board is a positive sign towards government's effort of promoting commercialisation of the arable sector as it shows how big the market for our locally produced grain is. BAMB still remains an important strategic partner in commercialization of the arable sector and diversification of the economy of Botswana as it provides a guaranteed market for locally grown arable crops and stabilizes producer prices.

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

As required by Section 16 subsection (3) of the Botswana Agricultural Marketing Board Act, Cap 74:02 the Board has the honor of submitting the forty third Annual Report and the accounts for the year ended 31st March 2016.

The accounts were approved by the Board of Directors at its meeting held on the 9th March 2017.



David Tibe
BOARD CHAIRPERSON







CHIEF EXECUTIVE OFFICER'S REPORT



FINANCIAL PERFORMANCE

a) **Financial Performance Revenue**

Botswana Agricultural Marketing Board as it has recorded a growth in operational revenue of 24.2% from P267.7 million in 2015 to P332.4 million in 2016.

	2011/2012		2012/2013		2013/2014		2014/2015		2015/2016	
Sale of goods	221,645,224	100%	172,495,122	99.5%	198,660,900	94.7%	267,727,541	96%	318,524,795	96%
SGR Management Fees	1,003,431	0%	1,003,431	1.0%	11,160,329	5.3%	10,893,832	4%	13,835,894	4%
	222,648,656	100%	175,012,169	100%	209,821,229	100%	278,621,373	100%	332,360,689	100%

b) Sales Summary

The grains captured 62% of Boards revenue during the reporting period. Sorghum is still the boards major contributor to revenue. The pulses revenue has captured 17% of the total sales revenue, this is attributed to the government of Botswana feeding programmes for schools and clinics.

Product	2010/2011		2011/2012		2012/2013		2013/2014		2014/2015		2015/2016	
	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	(%) Total Sales	Sales (Pula)
Sorghum	72,137,608	35%	71,671,457	32%	54,537,345.14	32%	148,343,606.08	70.7%	50,868,233	19%	34%	113,002,634.26
Pulses	49,754,995	24%	49,116,230	22%	6,103,179	4%	11,414,274.64	5.44%	56,222,784	21%	17%	56,501,317.13
Sunflower	33,966,115	17%	39,550,925	18%	39,075,528	23%	-	0%	40,159,131	15%	1%	3,323,606.89
Maize	26,495,191	13%	23,709,216	11%	10,136,662	6%	15,023,199.71	7.16%	26,772,754	10%	10%	33,236,068.90
	182,383,909	89%	184,047,828	83%	109,852,714	65%	174,781,080.43	83.3%	174,022,902	65%	62%	206,063,627

Agricultural Inputs:

Fertilisers and animal feeds each captured 15% of the revenue. The board was awarded a contract to supply the ministry of Agriculture with fertilisers for the ISPAAD programme. The drought subsidy had a major contribution to the performance of animal feeds to be sitting at 15% of revenue.

Product	2010/2011		2011/2012		2012/2013		2013/14		2014/2015		2015/2016	
	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	Sales (Pula)	(%) Total Sales	(%) Total Sales	Sales (Pula)
Fertilizer	6,563,563	3%	20,127,513	9%	39,649,684	23%	6,399,547.36	3.05%	37,481,856	14%	15%	49,854,103.35
Seeds	5,423,816	3%	6,990,433	3%	8,856,127	5%	5,434,369.73	2.59%	34,804,580	13%	6%	19,941,641.34
Feeds	6,258,950	3%	5,954,015	3%	9,370,326	5%	12,715,166.24	6.06%	8,031,826	3%	15%	49,854,103.35
Packaging Material & Others	3,631,578	2%	4,525,435	2%	4,766,270	2%	10,491,061.25	5%	13,386,377	5%	2%	6,647,213.78
	21,877,907	11%	37,596,996	17%	62,642,408	35%	35,040,144.58	16.70%	93,704,639	35%	38%	126,297,062



c) Grain Purchases

During the 2015/2016 harvesting season, a total of 39,657 Mt of grains were purchased. It is of interest to see that production of pulses has been growing over the past four ploughing seasons. The Botswana government subsidy on production of beans has contributed positively to this beans exponential growth over the past four years.

PRODUCT	QUANTITY PURCHASED (Mt)						
	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Sorghum	22,679	23,803	11,540	21,279	43,321	27,803	31,226
Maize	5,337	6,898	9,317	2,574	13,669	239	385
Sunflower	69	23	11,437	3,891	4,703	0	0
Pulses	407	1202	953	3,000	4,151	6062	8,046
Millet	104	159	520	339	2	0	0
Total	28,596	32,085	33,767	31,083	65,846	34,104	39,657

OPERATIONAL PERFORMANCE

i) Producer Prices

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

The producer prices offered by the Board for most of the commodities have all shown an upward trend from the previous year. Prices for beans have been constant at P14000/Mt as per the government of Botswana production subsidy.

PRODUCT	PRODUCER AND CONTRACT PRODUCTION PRICE (Pula/Mt)						
	2008/2009	2009/2010	2010/2011	2012/2013	2013/2014	2014/2015	2015/2016
Sorghum	1,550-1,900	1,650-1,700	1,300-1,700	2222-2950	2,500-2,900	1850-2550	2000-2700
Millet	1,600-2,600	2,600-2,600	2,600-3,000	2600-2600	1,700-2,000	1700	2000-2750
Maize (White/Yellow)	1,700-1,800	1,300-1,500	1,100-1,420	1789-2600	1,880-1,900	1600-1800	2070-2500
Sunflower	1,182-3,540	806-1,213	1,702-3,150	3523-4560	3,200-4,000	2850-3200	1745-2817
Groundnuts & Jugo Beans	5,000-7,000	7,000-7,000	8,000-8,000	8400-8800	9,900-9,900	9200-9900	10000-12000
Cowpeas and Beans	5,000-6,800	6,000-7,000	6,000-7,200	7200-14000	14,000-14,000	5850-14000	14000-14000

Maize prices were also on the high side, factors contributing to the high price were the expected low yields as a result of the drought during the season.

ii) Contract Farming

The area planted under contract farming has declined from what was planted in the previous cropping year. Most farmers did not sign up for contract farming and chose to supply under normal market conditions, despite the above normal market price that contract farming offers.

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Contracted Quantities (Mt)	18,874	38,206	39,986	40,479	15,735	68,094	43,774	31,138
Number of Farmers	26	35	62	80	46	183	209	190
Pandamatenga/ Northern	18	18	18	28	13	40	53	154
Southern Farmers	8	18	44	52	33	143	156	36



Botswana Agricultural Marketing Board

AUDITED ANNUALS **FINANCIAL STATEMENTS**

For the year ended 31 March 2016



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Audited Annual Financial Statements for the year ended 31 March 2016

GENERAL INFORMATION

Country of Incorporation and Domicile

Botswana

Company Secretary

K Gaebowe

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.

Registered Office

Plot 130, Unit 3 & 4
Nkwe Square
Gaborone International Finance Park
Gaborone
Botswana

Members of the Board

D M Tibe (Chairperson)
K N Binns (Deputy Chairperson)
M Keaja
J Van Der Westhuizen
T Phuthago
S Motsamai
O S Nkoane
R Mphathi

Postal address

Private Bag 0053
Gaborone
Botswana



Audited Annual Financial Statements for the year ended 31 March 2016

GENERAL INFORMATION

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

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Approval of Annual Financial Statements

The annual financial statements for the year ended 31 March 2016 which have been prepared on the going concern basis, were approved by the members of the Board on 30 March 2017 and were signed on its behalf by:



Director



Director

30 March 2017

Date



Audited Annual Financial Statements for the year ended 31 March 2016

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Botswana Agricultural Marketing Board, which comprise the statement of financial position as at 31 March, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 3 to 43.

Directors' responsibility for the Financial Statements

The Board's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Agricultural Marketing Board Act (Chapter 74:06) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Audited Annual Financial Statements for the year ended 31 March 2016

INDEPENDENT AUDITOR'S REPORT

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of, the financial position of the Botswana Agricultural Marketing Board as at 31 March, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Botswana Agricultural Marketing Board Act (Chapter 74:06).

 ERNST & YOUNG *Ernst & Young*

Practicing Member: Bakani Ndwapi (19980026)
Certified Auditor



Audited Annual Financial Statements for the year ended 31 March 2016

STATEMENT OF FINANCIAL POSITION

	Notes	Year Ended 31 March	
		2016 Pula	31 March 2015 Pula
ASSETS			
Non current Assets			
Property, plant and equipment	2	84,294,081	73,273,864
Investment property	2	25,810,000	16,455,000
Work in Progress (WIP)	2	-	3,139,191
		110,104,081	92,868,055
Current Assets			
Inventories	4	146,777,087	82,475,897
Trade and other receivables	5	74,061,325	60,505,473
Cash and cash equivalents	6	9,261,474	9,451,220
		230,099,886	152,432,590
TOTAL ASSETS		340,203,967	245,300,645

Audited Annual Financial Statements for the year ended 31 March 2016

STATEMENT OF FINANCIAL POSITION

	Notes	Year Ended 31 March	
		2016 Pula	31 March 2015 Pula
EQUITY AND LIABILITIES			
Equity			
Government Equity	7	27,455,061	27,455,061
Reserves	7	90,304,896	92,608,442
Retained earnings		45,838,038	15,615,773
Total equity		163,597,995	135,679,276
Current Liabilities			
Bank Loan	8	60,257,317	3,594,684
Bank overdraft	11	37,074,904	41,244,810
Trade and other payables	11	57,599,935	60,984,653
Deferred income	9	13,455,281	1,701,701
Provisions	12	8,218,427	2,095,520
		176,605,864	109,621,368
TOTAL LIABILITIES		176,605,864	109,621,369
TOTAL EQUITY AND LIABILITIES		340,203,967	245,300,645



Audited Annual Financial Statements for the year ended 31 March 2016

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended 31 March	
		2016 Pula	2015 Pula
Revenue	14	332,360,689	278,621,373
Costs of sales	15	(249,699,487)	(236,138,976)
Gross Profit		82,661,202	42,482,397
Other income	16	14,274,635	7,702,293
Operating expenses	17	(57,752,409)	(50,638,001)
Operating (loss)/Profit		39,183,427	(453,311)
Finance income	18	344,693	648,171
Finance costs	19	(5,486,496)	(3,662,904)
Profit/(Loss) for the year		34,041,625	(3,468,044)
Other comprehensive income:			
Gains and losses on property revaluation			17,059,623
Other comprehensive Income (loss) for the year		-	17,059,623
Total Comprehensive Income		34,041,625	13,591,579

Audited Annual Financial Statements for the year ended 31 March 2016

STATEMENT OF CHANGE IN EQUITY

	Notes	Government Equity	Revaluation Reserve	Stabilisation Fund	Development Fund	Retained Earnings	Total Equity
As at 01 April 2015		27,455,061	82,590,774	9,017,668	1,000,000	15,615,773	135,679,276
Profit for the period		-	-	-	-	34,041,625	34,041,625
Total comprehensive income		-	-	-	-	34,041,625	34,041,625
Dividends		-	-	-	-	(6,122,907)	(6,122,907)
Depreciation transfer		-	(2,303,546)	-	-	2,303,546	(0)
As at 31 March 2016		27,455,061	80,287,228	9,017,668	1,000,000	45,838,038	163,597,995

For the year ended 31 March 2015

	Notes	Government Equity	Revaluation Reserve	Stabilisation Fund	Development Fund	Retained Earnings	Total Equity
As at 01 April 2014		27,455,061	67,648,891	9,017,668	1,000,000	16,966,077	12,087,697
Profit for the period		-	-	-	-	(3,468,044)	(3,468,044)
Revaluation			17,059,623				17,059,623
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	(3,468,044)	13,591,579
Dividends		-	-	-	-	-	-
Revaluation							-
Depreciation Transfer		-	(2,117,740)	-	-	2,117,740	-
As at 31 March 2015		27,455,061	82,590,774	9,017,668	1,000,000	15,615,773	135,679,276



Audited Annual Financial Statements for the year ended 31 March 2016

STATEMENT OF OF CASH FLOWS

	Notes	Year Ended 31 March	
		2016 Pula	2015 Pula
Cash flows from operating activities			
Profit / (Loss) for the year		34,041,625	(3,468,044)
Adjustments for:			
Depreciation	2	4,795,264	5,936,766
Bad debts expense	17		471,154
Deferred income utilised during the year	9	(246,420)	(928,475)
(Gain)/Loss on foreign exchange			606,837
Loss/(Profit) on sale of assets		(105,612)	20,104
Finance income	18	(344,693)	(648,171)
Finance costs	19	5,486,496	3,662,904
Provisions		-	37,355
Gain on revaluation of investment property		(11,875,000)	(5,340,360)
Changes in working capital:			
Decrease /(Increase) in inventories		(64,301,191)	(23,435,528)
Decrease /(Increase) in trade and other receivables		(13,555,852)	7,647,504
Decrease/(Increase) in trade and other payables		(3,384,718)	(56,275,209)
Cash generated from operations		(49,490,102)	(71,713,163)
Interest received	17	344,693	648,171

Audited Annual Financial Statements for the year ended 31 March 2016

STATEMENT OF OF CASH FLOWS

	Notes	Year Ended 31 March	
		2016 Pula	2015 Pula
Interest paid		(5,486,496)	(3,662,904)
Net cash from operating activities		(54,631,904)	(74,727,896)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(10,356,693)	(1,280,037)
Proceeds from disposal of property, plant and equipment		306,000	31,400
Receipt of Government grant		12,000,000	
Net cash used in investing activities		1,949,307	(1,248,637)
Cash flows from financing activities			
Cash received from borrowings		105,529,457	
Cash repaid		(48,866,824)	-
Dividends paid		-	(522,894)
Net cash flows used in financing activities		56,662,633	(522,894)
Net increase in cash and cash equivalents		3,980,036	(76,499,427)
Net foreign exchange difference		-	-
Cash and cash equivalents at beginning of year		(31,793,590)	44,705,837
Cash and cash equivalents at end of the year		(27,813,430)	(31,793,590)



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 Basis of Presentation of Annual Financial Statements

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

These accounting policies are consistent with the previous period, except for the changes set out in accounting policy note 18 Changes in Accounting Policy.

2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could

differ from these estimates which may be material to the annual financial statements. Areas requiring significant judgements and estimates include:

2.1 Trade receivables

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

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

2.2 Allowance for slow moving, damaged and obsolete stock

An allowance for stock is raised to write down to the lower of cost or net realisable value. The Board has made estimates of the selling price and direct cost to sell on certain



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2.4 Provisions

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

2.5 Revaluation of property, plant and equipment and investment properties

The Board measures land and buildings at revalued amounts with changes in



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

fair value being recognised in OCI. The Board engaged an independent valuation specialist to revalue land and buildings in 2016. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. Motor vehicles and equipment are also carried at revalued amounts, determined by expert valuers in the motor industry, while for furniture and office equipment this is done using management assumptions upon considering factors such as the useful life of the asset and its current working condition. This valuation is done periodically (2 - 3 years).

Fair value of investment properties was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of revaluation 31 March 2016, 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

2.6 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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

2.8 Contingent liabilities

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

3. Property, plant and equipment

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

it is probable that future economic benefits associated with the item will flow to the Board; and the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and

equipment and costs incurred subsequently to add to, replace part of, or service it. Repairs and maintenance costs are not included in the carrying amount of the asset, the Board recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost incurred meet the recognition criteria stated above. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is subsequently carried at revalued amounts less accumulated depreciation and any impairment losses, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Any increase in the buildings, plant and equipment's carrying amount, as a result of a revaluation, is recorded in other comprehensive income and hence in the revaluation reserve in equity. The increase



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.7 Bank overdraft and borrowings

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

4.8 Impairment of financial assets

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

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

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



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.9 Derecognition

The Board derecognises financial assets ;

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

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

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

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

4.10 Offsetting of financial assets and liabilities

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5 Taxation

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

6 Leases

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

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

6.2 Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease

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

Income for leases is disclosed under other income in profit and loss.

6.3 Operating leases - lessee

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

7 Inventories

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.



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

8 Impairment of non-financial assets

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

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

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

Fair value less costs to sell is based on recent market transaction prices less costs that the Board assess

will be required to be incurred in order to sell the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the profit and loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

9 Government equity

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

10 Government grants/deferred income

Government grants are recognised when there is reasonable assurance that:

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

10.1 Government grants related to assets

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

The Board presents the grant in the statement of financial position by setting up the grant as deferred income. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

10.2 Government grants related to income

These are government grants other than those related to assets.

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



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 income statement in the period of derecognition.

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

17 Foreign currency transactions

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



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

18 New and amended standards and interpretations

Standards issued but no impact on BAMB

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

Standards issues but not effective in the current year

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

IAS 1 Disclosure Initiative - Amendments to IAS 1

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

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

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

This is expected to impact the disclosure of the BAMB future financial statement (though not significantly) but not the measurement.

IFRS 15 Revenue from Contracts with Customers

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

be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. It also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Board 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



Audited Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

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

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

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



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

2016	Land and Buildings	Furniture and Fixtures	Motor Vehicles	Plant and Machinery	Total Pula
2. PROPERTY, PLANT AND EQUIPMENT					
Cost					
At beginning of year	77,480,152	1,048,676	11,115,456	6,984,860	96,629,144
Merged assets - From WIP	3,134,430			4,747	3,139,177
Additions	4,950,967	492,802	2,120,527	2,792,396	10,356,693
Disposals	-	-	(667,758)		(667,758)
Reclassification from Investment Property	2,520,000				2,520,000
At end of year	88,085,549	1,541,478	12,568,226	9,782,003	111,977,255
Accumulated Depreciation					
At beginning of year	8,285,982	676,454	9,757,345	4,635,499	23,355,280
Charge for the year	2,719,702	242,749	657,508	1,175,305	4,795,264
Disposals	-	-	(467,370)	-	(467,370)
At end of year	11,005,684	919,203	9,947,484	5,810,804	27,683,174
Carrying amount					
At beginning of year	69,194,170	372,222	1,358,111	2,349,361	73,273,864
At end of year	77,079,865	622,275	2,620,742	3,971,199	84,294,081



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

2015	Land and Buildings	Furniture and Fixtures	Motor vehicles	Plant and Machinery	Total Pula
2. PROPERTY, PLANT AND EQUIPMENT (Continues)					
Cost					
At beginning of year	60,415,761	980,755	11,226,465	5,777,512	78,400,493
Additions	4,768	67,921	-	1,207,348	1,280,037
Disposals	-	-	(111,009)	-	(111,009)
Revaluation	17,059,623	-	-	-	17,059,623
At end of year	77,480,152	1,048,676	11,115,456	6,984,860	96,629,144
Accumulated Depreciation					
At beginning of year	6,685,500	478,584	6,580,436	3,733,499	17,478,019
Charge for the year	1,600,482	197,870	3,236,414	902,000	5,936,766
Disposals	-	-	(59,505)	-	(59,505)
At end of year	8,285,982	676,454	9,757,345	4,635,499	23,355,280
Carrying amount					
At beginning of year	53,730,261	502,171	4,646,029	2,044,013	60,922,474
At end of year	69,194,170	372,222	1,358,111	2,349,361	73,273,864



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

2016	Land and Buildings	Furniture and Fixtures	Motor vehicles	Plant and Machinery	Total Pula
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2. PROPERTY, PLANT AND EQUIPMENT (Continues)

If property, plant and equipment were measured using the cost model, the carrying amounts would be as follows:

Cost	88,085,549	1,541,478	12,568,226	9,782,003	111,977,256
Accumulated depreciation and impairment	(69,194,170)	(919,203)	(9,947,484)	(5,810,804)	(85,871,661)
Net carrying amount	18,891,379	622,275	2,620,742	3,971,199	26,105,596

Revaluation of assets during the 2016 financial year

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

Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	31 March 2016	31 March 2015
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2. INVESTMENT PROPERTY

The Board's investment properties consist of commercial properties leased out around the country. Management have opted to value this property at fair value. The fair value is based on the valuation carried by Realreach International Property Consultants the who are professional valuers and have been doing the work of property valuation for the last 35 years.

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

Opening balance at 1 April	16,455,000	11,114,640
Net gain/ (loss) from fair value adjustment	11,875,000	5,340,360
Reclassified as property, plant and equipment	(2,520,000)	
Closing balance	25,810,000	16,455,000
Rental income derived from investment properties	1,932,926	1,608,002
Profit arising from investment properties	1,932,926	1,608,002

Description of valuation techniques

	Valuation technique	Significant unobservable input
Commercial properties	DCF method	Estimated rental value per square metre(sqm) P20 - P50 Growth rate - 7.5%



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

2. WORK IN PROGRESS

The Board constructed offices in Gaborone West , Palapye and Serowe.

The gross carrying value of such works was P3 139 198 at valuation as at 31st March 2015. Upon completion these offices were all recognised under Property, Plant and equipment and accounted for in accordance with accounting policy 3.

Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula

3. FINANCIAL ASSETS BY CATEGORY

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

	Loans and Receivables	Total
2016		
Cash and cash equivalents	9,261,474	9,261,474
Trade and other receivables	72,931,115	72,931,115
	<u>82,192,589</u>	<u>82,192,589</u>
2015		
Cash and cash equivalents	9,451,220	9,451,220
Trade and other receivables	60,239,200	60,239,200
	<u>69,690,421</u>	<u>69,690,421</u>

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



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula
4. INVENTORIES		
Merchandise	149,918,768	85,490,192
Inventory write-downs	(3,141,681)	(3,014,296)
	<u>146,777,087</u>	<u>82,475,897</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 P104,585,459 (2015:P119,240,458)

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

5. TRADE AND OTHER RECEIVABLES

Trade receivables	83,907,560	67,321,411
Provision for doubtful debts	(10,976,445)	(7,082,211)
	<u>72,931,115</u>	<u>60,239,200</u>

5.1 OTHER RECEIVABLES

Prepayments	<u>1,130,210</u>	<u>266,273</u>
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Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

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

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

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired.

At 31 March, 2016, P14,634,153 (2015: P15,032,266) 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.



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula

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

1 month past due	10,065,937	7,050,028
2 months past due	2,231,521	4,551,039
3 months past due	1,946,397	1,196,659
More than 3 months past due	390,298	2,234,540
	<u>14,634,153</u>	<u>15,032,266</u>

Trade and other receivables which are current and are neither past due nor impaired amount to P58 296 962 to 2015: P45,473,207

Trade and other receivables impaired

As of 31 March, 2016, the trade and other receivables of P10 976 445 (2015: P7 080 192) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	10,976,445	7,082,211
	<u>10,976,445</u>	<u>7,082,211</u>

Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula

TRADE AND OTHER RECEIVABLES (Continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	7,082,211	6,611,057
Additional amounts raised	3,894,235	471,154
	<u>10,976,445</u>	<u>7,082,211</u>

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

The Board does not hold any collateral as tangible security.

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



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula
CASH AND CASH EQUIVALENTS		
Bank balances	1,966,816	2,853,631
Cash on hand	320,767	70,751
Short term deposits (28 days)	6,973,890	6,526,838
	9,261,474	9,451,220
Reconciliation of Cash & Cash Equivalents to the Statement of Cashflow:		
Cash & cash equivalents	9,261,474	9,451,220
Bank Overdraft	(37,074,904)	(41,244,810)
Cash and cash equivalents at end of the year per SOCF	(27,813,430)	(31,793,590)

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

Botswana Pula Overdraft facility of P30million is to be utilised for general working capital requirements; repayable on demand; carries an interest rate at Bank's prime lending rate per annum.

Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

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

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

Botswana Pula guarantee facility limit of P11million is to be utilised for issuance of various guarantees in favour of the Government of Botswana and fees for this facility will be based on 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 P10million is to be utilised for general working capital requirements; repayable on demand; carries an interest rate at Bank's prime lending rate per annum. The Board also had a trade finance loan of P30 million and the balance outstanding was P20.2 million.

Botswana Pula guarantee facility limit of P6.42million is to be utilised for issuance of various guarantees in favour of the Government of Botswana and fees for this facility will be based on 0.1% of the value of the guarantee issued. The gurantee issued on behalf of Local Governemnt was P4.8 million as at year end.

The Board's overall banking facility with BancABC is;

Botswana Pula Overdraft facility of P20million is to be utilised for general working capital requirements; repayable on demand; carries an interest rate at Bank's prime lending rate per annum. The Board also had one year tenure loan of P40 million with BancABC at prime lending rate.

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.



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula
7. EQUITY AND RESERVES		
Government Equity		
Equity Capital	27,455,061	27,455,061
	<u>27,455,061</u>	<u>27,455,061</u>

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

Revaluation Reserve

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

At the beginning of the year	82,590,774	67,648,891
Revaluation surplus amount		17,059,623
Amortised during the year	(2,303,546)	(2,117,740)
Reversal of revaluation reserve	-	-
	<u>80,287,228</u>	<u>82,590,774</u>

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula

Stabilisation Fund

The stabilisation fund represents the fund established by the Board in terms of Section 12 of the Botswana Agricultural Marketing Board Act 1974 (CAP: 74:06).

This fund is created with the amount allocated by the Government and/or any amounts set aside by the Board from time to time. As per the provisions of Section 12, the maximum amount of stabilisation fund shall not exceed such amount as approved by the Government time to time, which is currently P 9,017,688.

The amount credited to the stabilisation fund would be utilised to stabilise the prices paid for the scheduled produce; to meet any deficiency created by way of excess of expenditure over the revenues for each of the financial years or for such other purpose as approved by the Minister responsible for Agriculture and Minister responsible for finance.

At the beginning of the year	9,017,668	9,017,668
At end of the year	9,017,668	9,017,668

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.



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula

The amount credited to the development fund would be utilised to meet any deficiency created by way of excess of expenditure over the revenues for each of the financial years or for various development programmes approved by the Minister responsible for Agriculture.

At the beginning of the year

1,000,000	1,000,000
1,000,000	1,000,000

8. BANK LOAN

The Board has a one year loan facility with Barclays Bank Botswana, First National Bank and BancABC of Botswana.

60,257,317	3,594,684
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9. DEFERRED INCOME

Deferred income mainly relates to unexpended balance of grants received from the Government of Botswana for the refurbishment of storage facilities. New grant was given for the refurbishment of warehouses and purchase of 5 additional 10 Mt trucks.

Opening balance

Utilised balance during the year

Additional grant from Government

1,701,701	2,630,176
(246,420)	(928,475)
12,000,000	
13,455,281	1,701,701



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula

10 DIVIDENDS PAYABLE

Under the presidential directive Cab 40/2004, each parastatal which is not subject to tax on its profits is required to pay 25% of its annual profits as dividend to the Government. A dividend of P6,122,906 (2014: P1,032,273) will be paid to the Government since the Board made a profit.

11. TRADE AND OTHER PAYABLES

Trade payables	54,100,159	55,570,477
Payroll accruals	3,499,776	5,414,176
	<u>57,599,935</u>	<u>60,984,653</u>
Dividends accrued	7,155,180	1,032,273
Bank overdraft	37,074,904	41,244,810

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.



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula
12. PROVISIONS		
At the beginning of the year	1,063,247	1,025,892
Provision for probable legal losses charged during the year		37,355
At the end of the year	<u>1,063,247</u>	<u>1,063,247</u>

The provision relates to probable losses from current legal proceedings in which the Board is currently a party to. These are claims against BAMB by former employees for Unlawful dismissal and wages withheld. Due to the uncertainties surrounding the judgement of the legal proceedings the Board has provided for the probable legal losses based on consultations with the Board's legal counsel.

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	57,599,935	103,261,737
	<u>57,599,935</u>	<u>103,261,737</u>

Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula

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	13,835,894	10,893,832
Sale of goods	318,524,795	267,727,541
	<u>332,360,689</u>	<u>278,621,373</u>

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	240,576,327	225,979,038
Inventory losses and allowances	3,141,681	3,014,296
Transport subsidy received from Ministry of Agriculture	(4,350,000)	(3,561,150)
Distribution costs	12,892,174	13,704,414
Discounts received	(2,560,694)	(2,997,621)
	<u>249,699,487</u>	<u>236,138,976</u>



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year ended 31 March	
	2016	2015
	Pula	Pula
16. OTHER INCOME		
Rent received	1,932,926	1,608,002
Sundry income	429,701	753,931
Bad debt recovered	37,008	
Investment property revaluation	11,875,000	5,340,360
	<u>14,274,635</u>	<u>7,702,293</u>

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	48,315	28,270
After one year but not more than five years	7,500,000	7,378,874
More than five years	-	-
	<u>7,548,315</u>	<u>7,407,144</u>



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year ended 31 March	
	2016	2015
	Pula	Pula
17. OPERATING PROFIT / (LOSS)	39,183,427	(453,311)
Operating profit (loss) for the year is stated after accounting for the following:		
Board members' sitting fees and expenses	68,486	-
Travelling and accommodation	3,360,514	2,783,612
(Profit)/Loss on foreign exchange	(1,766,836)	606,837
Repairs and maintenance	1,971,010	2,628,855
Telephone and fax	863,011	760,273
Office and general expenses	20,426,190	12,230,912
Motor vehicle expenses	785,716	2,479,456
Impairment of trade and other receivables	3,894,235	471,154
Advertising	-	2,545,910
Insurance	389,880	948,887
Security	1,681,274	1,155,827
Depreciation on property, plant and equipment	4,795,264	5,936,766
Employee costs	18,661,402	17,348,841
Pension contribution expense	2,622,264	2,120,198
	57,752,409	52,017,526



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula
18. FINANCE INCOME		
Interest revenue		
Bank	302,276	608,787
Interest charged on trade and other receivables	42,417	39,384
	344,693	648,171
19. FINANCE COSTS		
Interest on Overdraft	1,389,135	657,356
Interest on loans	4,097,361	3,005,548
	5,486,496	3,662,904
20. AUDITORS REMUNERATION		
Fees	47,105	177,430
	47,105	177,430

Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year ended 31 March	
	2016	2015
	Pula	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	12,435,948	-
Refurbishment of BAMB warehouses	7,507,792	6,500,000
	19,943,740	6,500,000

22 CONTINGENCIES

The Board has an uncommitted facility in place with its bankers, First National Bank Botswana Limited to issue guarantees/letters of credit whenever is required in the normal course of its business. The total guarantees outstanding as at the reporting date is P8,716,085 (2015: P4,787,276).



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March

2016

2015

Pula

Pula

The Board has an uncommitted facility in place with its bankers, Standard Chartered Bank Botswana Limited to issue guarantees/letters of credit whenever is required in the normal course of its business. The total guarantees outstanding as at the reporting date is ZAR 300 000.00 (2015: P300 000.00).

23. RELATED PARTY DISCLOSURES

Relationships

Owner with significant influence

Members of the Board

Members of key management

Government of Botswana

Refer to general information page

E N Wotho (Chief Executive Officer)

E Ncaagae

G Gaebowe

T. Seitshiro

N Kuriwa

C Mokgoko



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula

23. RELATED PARTY DISCLOSURES (Continued)

All related party balances are unsecured and are settled on the normal business repayment terms of 30 days.

Amounts included in Trade Payables regarding related parties:

Government of Botswana - Strategic Grain Reserve	-	34,487,630
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Amounts included in Trade Receivables regarding related parties

Department of Crop Production	15,646,210	17,663,530
Department of Local Government Finance and Procurement	15,920,059	19,953,889
Department of Veterenary Services	17,988,148	-

Related party transactions

Purchases from related parties

Government of Botswana - Strategic Grain Reserve	13,835,894	5,179,401
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Board member fee and expenses

Sitting fees and expenses	68,486	78,446
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Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula
Grants and fees received from Government of Botswana		
Strategic Grain Reserve management fees	13,835,894	10,893,832
Transport subsidy - Ministry of Agriculture	4,350,000	3,561,150
Sales to related parties		
Department of Crop Productions	61,125,283	57,863,057
Department of Local Government Finance and Procurement	26,588,770	39,894,469
Ministry of Agriculture	22,988,148	36,537,513
Compensation of key management personnel		
Short term employee benefits	2,622,265	3,459,387
Gratuity and leave pay	1,773,658	1,551,023

Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March

2016 2015

Pula Pula

24. 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.



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March

2016

2015

Pula

Pula

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.



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March

2016 2015

Pula Pula

24. RISK MANAGEMENT (Continued)

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

At 31 March, 2016

	Not later than 1 month	Between 1 and 3 months	Between 3 months and 1 year
Trade and other payables	31,603,390	19,209,281	51,017,347
Loan obligations		60,257,317	

At 31 March, 2015

Trade and other payables	10,064,096	7,875,151	86,578,738
Loan obligations		3,594,684	



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March

2016

2015

Pula

Pula

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, 2016, if interest rates on Pula-denominated borrowings had been 0.50% higher/lower with all other variables held constant, profit for the year would have been P301,286.59 (2015: P487,298.98) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Cash flow interest rate risk

Financial instrument

Current
interest
rate

Due in less
than 1 year

Due in more
than 2 years

Short term deposits	5.85%	6,973,890	-
BWP call deposits	2.50%	1,966,816	-
Loans	9.0%	60,257,317	-
Interest charged on overdraft	8.50%	37,074,904	-

Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March

2016	2015
Pula	Pula

24. RISK MANAGEMENT (Continued)

Credit risk

The Board is exposed to credit risk on its trade and other receivables, cash and cash equivalents and loans to its employees.

The management evaluate the credit worthiness of its customers before a credit facility is granted.

Also, many of the customers of the Board comprise of departments of Government of Botswana and her ministries.

Cash and bank balances are placed with reputable financial institutions.

Frequent management meetings are held to determine the exposure limit to or fund placement with any particular bank.

Banks in Botswana are not rated but are subsidiaries of reputed and rated banks of Republic of South Africa and the United Kingdom.

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

Financial Instrument

Trade receivables	74,061,325	60,505,473
Cash and cash equivalents	9,261,474	9,451,220

The Board does not hold any collateral as security.



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March

2016 2015
Pula Pula

24. RISK MANAGEMENT (Continued)

Foreign exchange risk

The entity is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The entity does not hedge foreign exchange fluctuations.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the ZAR exchange rates, with all other variables held constant.

	Increase/ (decrease) in exchange rate	Effect on cash and cash equivalents	Effect on trade and other payables
2016	5%	343	406,838
	(5%)	(343)	(406,838)
2015	5%	78,788	391,101
	5%	(78,788)	(391,101)



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March

2016	2015
Pula	Pula

24. RISK MANAGEMENT (Continued)

Exchange Rates

The amounts reported below are exchange rates against the Pula.

	2016	2016	2015
	Pula	Rand	Rand
Exchange rate	1	1.3500	1.1894

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 2016



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Date of valuation	Fair value measurement using			Total fair value
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	

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

Investment properties					
- Physical properties	31-Mar-16	-	-	3,971,199	3,971,199
Property, plant and equipment					
- Land and buildings	31-Mar-16	-	-	77,079,865	77,079,865
- Furniture and fixture	31-Mar-16	-	-	622,275	622,275
- Motor vehicles	31-Mar-16	-	-	2,620,742	2,620,742
- Plant and machinery	31-Mar-15	-	-	3,971,199	3,971,199
		-	-	88,265,280	88,265,280



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Date of valuation	Fair value measurement using			Total fair value
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	

Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2015:

Investment properties					
- Physical properties	31-Mar-15	-	-	2,516,427	2,516,427
Property, plant and equipment					
- Land and buildings	31-Mar-15	-	-	69,194,170	69,194,170
- Furniture and fixture	31-Mar-15	-	-	372,222	372,222
- Motor vehicles	31-Mar-15	-	-	1,358,111	1,358,111
- Plant and machinery	31-Mar-15	-	-	2,349,361	2,349,361
		-	-	75,790,291	75,790,291



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

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
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24. RISK MANAGEMENT (Continued)

Determination of fair values and fair values hierarchy

Level 3 Financial Assets

Level 3 valuation

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

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

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

31 March 2016

Balance	3,971,199	77,079,865	622,275	2,620,742	3,971,199
Adjusted due to IFRS 13	-	-	-	-	-
Total gains/(loss) in comprehensive income	-	-	-	-	-
Acquisitions	-	-	-	-	-
Settlements/ Repayments	-	-	-	-	-
	3,971,199	77,079,865	622,275	2,620,742	3,971,199



Audited Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable input	Quantitative data
23.5 (c) Valuation techniques used in determining the fair value of financial instruments					
Properties	3	Discounted cash flow model (DCF)	Consumer Price index	Capitalisation rate	9 - 14%
Furniture and fixtures	3	Management assessment of useful life and replacement costs	"Useful life	Useful life	3 - 5 years
Motor vehicles and plant and machinery	3	The cost approach, which reflects the amount that would be required currently to replace the service capacity of an asset	Consumer Price index	N/A	181.3 index points

26. Subsequent events after reporting date

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







Botswana Agricultural Marketing Board

STRATEGIC GRAIN RESERVE ANNUALS FINANCIAL STATEMENTS

For the year ended 31 March 2016



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Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

GENERAL INFORMATION

Country of Incorporation and Domicile

Botswana

Nature of business and principal activities

Holding of Strategic Grain Reserve for the Government of Botswana. The Botswana Agricultural Marketing Board is the managing agent appointed by the Government of Botswana to manage the Reserve. The Reserve was created by the Government as a storage facility for grain in the event of a nationwide natural disaster. The transactions executed between the Board and the Reserve are mainly purchase and sale of inventory. The Board periodically sells the Reserve inventory to avoid losses due to perishing of inventory.

Members of the Board

Edison Nyalalani Wotho
(Chief Executive Officer of the managing agent)

Company Secretary

K Gaebowe

Registered Office

Plot 130, Unit 3 & 4
Nkwe Square
Gaborone International Finance Park
Gaborone
Botswana

Postal address

Private Bag 0053
Gaborone
Botswana



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

GENERAL INFORMATION

Auditor

ERNST & YOUNG
2nd Floor, Plot 22
Khama Crescent
Gaborone

Company Registration Number

687900

Bankers

Standard Chartered Bank of Botswana Limited
Barclays Bank of Botswana Limited
First National Bank of Botswana Limited

Managing Agent

Botswana Agricultural Marketing Board

Measurement and Presentation Currency

Botswana Pula

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 March 2015, which have been prepared on the going concern basis, were approved by the members of the Board on 30 March 2017 and were signed on its behalf by:



Director



Director

30 March 2017

Date

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of the Strategic Grain Reserve, which comprise the statement of financial position as at 31 March, 2015, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 3 to 20.

Directors' responsibility for the financial statements

The Board's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Agency Agreement of 13 October 2009 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

INDEPENDENT AUDITOR'S REPORT

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of, the financial position of the Strategic Grain Reserve as at 31 March, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Agency Agreement of 13 October 2009.

 *Ernst & Young*

Practicing Member: Bakani Ndwapi
(19980026)
Certified Auditor

Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

STATEMENT OF FINANCIAL POSITION

	Notes	Year Ended 31 March	
		2016 Pula	2015 Pula
Current assets			
Inventories	2	104,585,459	119,240,458
Trade and other receivables	3	-	34,487,627
Cash and cash equivalents	4	1,550,583	1,586,446
		106,136,042	155,314,531
Total Assets		106,136,042	155,314,531
Equity And Liabilities			
Equity			
Reserves	7	205,389,405	205,389,405
Accumulated profit /(loss)		-104,379,416	-50,077,536
Total equity		101,009,989	155,311,869
Current Liabilities			
Trade and other payables	5	5,126,051	2,662
		5,126,051	2,662
Total Liabilities		5,126,051	2,662
Total Equity And Liabilities		106,136,042	155,314,531



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended 31 March	
		2016 Pula	2015 Pula
Revenue	8	17,750,213	7,660,851
Costs of sales	9	(18,909,737)	(17,180,879)
Gross Profit		(1,159,524)	(9,520,028)
Administration expenses	11	(13,879,811)	(10,898,228)
Operating expenses	12	(39,294,287)	(28,011,352)
Operating Profit / (Loss)		(53,174,098)	(38,909,580)
Finance income	10	31,742	469,883
Profit / (Loss) for the year		(54,301,880)	(47,959,725)
Other comprehensive income		-	-
Total Comprehensive income		(54,301,880)	(47,959,725)

Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

STATEMENT OF CHANGE IN EQUITY

	Notes	Reserves	Accumulated Profit /(Loss)	Total Equity
Balance at 31 March 2014	7	205,389,405	-2,117,811	203,271,594
Total comprehensive income		-	-47,959,725	(47,959,725)
Balance at 31 March 2015	7	205,389,405	-50,077,536	155,311,869
Total comprehensive income		-	(54,301,880)	(54,301,879)
Balance at 31 March 2016		205,389,405	(104,379,416)	101,009,990



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

STATEMENT OF CASH FLOWS

	Notes	Year Ended 31 March	
		2016 Pula	2015 Pula
Cash flows from operating activities			
Profit/(Loss) for the year		(54,301,880)	(47,959,725)
Adjustments for:			
Profit/(Loss) on foreign exchange		(125,687)	(11,261)
Finance income	10	(31,742)	(469,883)
Changes in working capital:			
Decrease(increase) in inventories		14,654,999	(63,597,059)
Decrease(Increase) in trade and other receivables		34,487,627	65,245,371
Decrease in trade and other payables		5,123,389	(4,824,808)
Cash generated from /(Utilised in) operations		(193,294)	(51,617,365)
Interest received	10	31,742	469,883
Net cash from operating activities		(161,552)	(51,147,482)
Net increase/(decrease) in cash and cash equivalents		(161,552)	(51,147,482)
Net foreign exchange difference		125,687	11,261
Cash and cash equivalents at beginning of year	4	1,586,446	52,722,667
Cash and cash equivalents at end of the year	4	1,550,584	1,586,446



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Presentation of Annual Financial Statements

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

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

2 Significant judgements and sources of estimation uncertainty

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

2.1 Trade receivables

The Reserve assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, management makes judgements as to whether there is observable data indicating a measurable decrease in the net realisable value of the asset. Refer to policy notes 3.3 and 3.6 for impairment considerations.

2.2 Allowance for slow moving, damaged and obsolete stock

An allowance for stock is raised to write down to the lower of cost or net realisable value. The Board has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

3 Financial instruments

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

- Loans and receivables
- Financial liabilities measured at amortised cost



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 and subsequently recorded 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



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reserve derecognises financial assets when the contractual rights to the cash flows from the financial asset expire; or when the Board transfers the financial asset out. When the Board transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset.

A financial asset is derecognised when:-

- 1) The rights to receive cash flows from the asset have expired;
- 2) The Board has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full

without material delay to a third party under a 'pass-through' arrangement and;

- 3) Either (a) the Board has transferred substantially all the risks and rewards of the asset, or (b) the Board has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.8 Derecognition of financial liability

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

3.9 Offsetting of financial assets and liabilities

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 New and amended standards and interpretations

The following amendments would have become effective during the current period, they have no

Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

impact on the financial position and financial performance of the SGR.

Amendments effective during the current period

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

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

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

AIP IFRS 8 Operating Segments - Aggregation of operating segments

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

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

AIP IAS 24 Related Party Disclosures - Key management personnel

AIP IFRS 3 Business Combinations - Scope exceptions for joint ventures

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

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

10 Standards issues but not effective in the current year

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

IAS 1 Disclosure Initiative - Amendments to IAS 1

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



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENT

	Year Ended 31 March	
	2016	2015
	Pula	Pula
2 INVENTORY		
Merchandise	106,583,897	129,120,463
Inventory write-downs	-1,998,438	-9,880,005
	<u>104,585,459</u>	<u>119,240,458</u>
3 TRADE AND OTHER RECEIVABLES		
Trade Receivables	-	34,487,630
	<u>-</u>	<u>34,487,630</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 2016, P0.00 (2015 P0.00) were past due but not impaired.

NOTES TO THE FINANCIAL STATEMENT

	Year Ended 31 March	
	2016	2015
	Pula	Pula

Credit quality of trade and other receivables.

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

4 CASH AND CASH EQUIVALENTS

Bank Balances	1,550,583	1,586,445
Short term deposits	-	-
	<u>1,550,583</u>	<u>1,586,446</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	5,126,051	2,662
	<u>5,126,051</u>	<u>2,662</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.



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016 Pula	2015 Pula
6 FINANCIAL INSTRUMENTS		
	Carrying Value 2016	Fair Value 2016
FINANCIAL ASSETS		
Loans and receivables;		
Trade and other receivables	-	-
Cash and cash equivalents	1,550,583	1,550,583
	1,550,583	1,550,585
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost;		
Trade payables	5,126,051	5,126,051
	5,126,051	5,126,051



NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016 Pula	2015 Pula
	Carrying Value 2015	Fair Value 2015
FINANCIAL ASSETS		
Loans and receivables;		
Loans and receivables	34,487,627	34,487,627
Cash and cash equivalents	1,586,446	1,586,446
	36,074,073	36,074,073
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost;		
Trade payables	2,662	2,662
	2,662	2,662
7 RESERVES AND CAPITAL		
Opening balance	205,389,405	205,389,405
	-	-
Amounts received during the year	205,389,405	205,389,405

Strategic Grain Reserve is established through presidential directive to store and supplement the grain reserves of the country. The government funds the procurement through infuse of capital as and when required. The Reserve is disbursed by the Government of Botswana to buy inventory for the Strategic Grain Reserve.



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016	2015
	Pula	Pula

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

	17,750,213	7,660,851
	17,750,213	7,660,851

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

Inventory write down

	16,911,299	7,300,874
	1,998,438	9,88,005
	18,909,737	17,180,879

10 FINANCE INCOME

Interest Income

	31,742	469,883
	31,742	469,883

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016 Pula	2015 Pula
11 ADMINISTRATION EXPENSES		
Administration charges	13,835,894	10,893,832
Bank charges	1,917	4,396
Audit Fees	42,000	
	<u>13,879,811</u>	<u>10,898,228</u>
12 OPERATING EXPENSES		
Unrealised Exchange gain/loss	125,687	11,261
Bean subsidy	39,168,600	28,000,091
	<u>39,294,287</u>	<u>28,011,352</u>
13 RELATED PARTIES		
Relationships		
Owner with significant influence		Government of Botswana
Members of the Reserve		Refer to general Information page
Members of key management		E N Wotho (Chief Executive Officer)
		E Ncaagae
		C Mokgoko
		K Gaebowe
		T Seitshiro
		N Kuriwa



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2016 Pula	2015 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

17,750,213	7,660,851
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Amounts included in trade receivables regarding related parties

Botswana Agricultural Marketing Board

-	34,487,627
---	------------

Amounts included in trade payables regarding related parties

Botswana Agricultural Marketing Board

5,126,051	
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Administration fees paid to related parties

Botswana Agricultural Marketing Board

13,835,894	10,893,832
------------	------------

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March

2016	2015
Pula	Pula

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 2016, the reserve had P104,585,459 inventory to be sold to the Board next financial year.

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.



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March

2016

2015

Pula

Pula

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.

Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Financial instrument	Current interest rate	Due in less than one year	Due in more than two years
Cash flow interest rate risk			
31 March 2016			
Bank balances	2.60%	1,550,583	-
31 March 2015			
Bank balances	2.60%	1,586,446	-
	Change in interest rate	Effect on profit before tax	Effect on equity
2016	+5%	2,016	2,016
	-5%	2,016	2,016
2015	+5%	2,062	2,062
	-5%	2,062	2,062



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

Credit risk

The main customers of the Reserve is the Botswana Agricultural Marketing Board. Cash and bank balances are placed with reputable financial institutions.

Frequent management meetings are held to determine the exposure limit to or fund placement with any particular bank. Banks in Botswana are not rated but are subsidiaries of reputed and rated banks of Republic of South Africa.

The Reserve does not hold any collateral.

Liquidity risk

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

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



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Less than 1 year	Between 2 and 5 years	Over 5 years
At 31 March, 2016			
Trade and other payables	5,126,051	-	-
At 31 March, 2015			
Trade and other payables	2,662	-	-

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.



Strategic Grain Reserve - Annual Financial Statements for the year ended 31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

	Change in rate	Effect on profit before tax	Effect on equity
2016	+5%	64,639	64,639
	-5%	64,639	64,639
2015	+5%	74,988	74,988
	-5%	74,988	74,988

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.



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