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ABOUT US

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 be a world class market for agricultural products and services.

OUR MISSION

Provide marketing services for growing the agricultural industry

VALUES

- **Innovation**
- **Integrity**
- **Teamwork**
- **Efficiency**
- **Botho**

PRODUCTS & SERVICES

BAMB offers the following to the farming community and consumers:

- **Agricultural Produce:** We provide a guaranteed market for locally grown arable produce such as:
 - **Cereals:** - sorghum, maize and millet.
 - **Cowpeas and Beans:** - Tswana cowpeas, Purple cowpeas, Black-eyed beans, White haricots, Jugo beans, Tepary beans and China peas.
 - **Oilseeds:** - groundnuts and sunflower.
- **Value Addition:** we enhance marketing of locally produced agricultural products through value addition i.e.
 - **BAMB Sunflower cooking oil:** extracted from sunflower seeds grown locally
 - **Mosuthane:** dehulled sorghum grain with no added preservatives
 - **Ntlatlawane:** sorghum whole meal with no added preservatives
- **Agricultural Farming Inputs:** BAMB sells different types of fertilizers; quality rain fed agricultural seeds, vegetable seeds, agrochemicals and packaging materials for agricultural produce.



BAMB stocks a wide range of animal feed, for cattle, poultry, piggery, game and small stock. BAMB has recently introduced Sunflower cake to its line of products.

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

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

BAMB searches for markets for specified crops and contracts farmers to produce them at agreed prices and quantities. This helps to minimize exposure to price risks due to price fluctuations dictated by market conditions.



BOARD MEMBERS

Shaboyo Motsamai ①

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.

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

Thembisile Phuthogo ②

Thembisile is the Managing Director of Wall Street Investment, a company that provides financial advice, mentoring and financial management services to small, micro 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.

David Tibe - Board Chairperson ③

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.

Oemetse Nkoane ④

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 of Botswana and Master of Education from University of Massachusetts Amherst USA.

Jacob Van Der Westhuizen ⑤

Jacob is one of the Pandamatenga farmers. Having ventured into farming in 2002, he farms mainly on sorghum, millet and beans. He cultivates a total of 1000ha annually, a third of which are legume crops and the rest cereals. These are supplied to BAMB, SMU, and Savannah Seeds. The farm also carries small stock and cattle.

He has a Bcom Agricultural Economics from the University of Pretoria.

Kabelo Binns - Deputy Board Chairperson ⑥

Kabelo is the owner and Managing Director of Hotwire PRC and Wired V&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).

Ruth Mphathi ⑦

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

She has previously been at the helm of BotswanaPost as Acting Director General for a period of 12 months. 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 ⑧

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 Bachelor of Economics and Demography from the University of Botswana and an MSC Planning in Developing Countries from the London School of Economics.

MANAGEMENT



-  Acting Chief Executive Officer
-  **Thabo Seitshiro**
Marketing and Communications
-  Finance
-  Internal Audit
-  **Keefentse Gaebowe**
Human Resources and Administration
-  Operations
-  Quality



CHAIRPERSON'S REPORT

"BAMB is on the final year of implementation of the BAMB three-year Strategic Plan (2011-2014) that guides business operations of the Botswana Agricultural Marketing Board (BAMB)."

- David Tibe Board Chairperson



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

Sir

In accordance with Section 17 (1) of the Botswana Agricultural Marketing Board (BAMB) Act, CAP. 74:06, I am pleased to present to you a report on the performance and operations of the Botswana Agricultural Marketing Board (BAMB) for the year ended 31st March 2013. The accounts were approved by the Board of Directors at its meeting held on the 27th June 2013.

Financial Results

Audited Accounts for the year ended 31st March 2013 show a 21.4% decrease in turnover from P223 million (2011/2012) to P175 million (2012/2013). This was mainly due to short supply of major trading products- sorghum and maize and loss of Sugar beans and the Sunflower cooking oil tenders. The sale of goods contributed 99% of the revenue while 1% was paid by Government to BAMB as fees for managing Strategic Grain Reserve (SGR). Audited accounts for the year ended 31st March 2013 also show a net profit of P2,091,575 which is favourable compared to net profit of P1,142,969 (31st March 2012). The profit position is largely due to higher margins which BAMB achieved on the main products sold this year.

Corporate governance

The Board of Directors of BAMB established in accordance with Section 3 of the BAMB Act, CAP 74:06 remains committed to corporate governance principles of transparency, accountability and integrity. Although the mandate of the Board of Directors is spelt out by the Act, the Board found it necessary to develop a Board Charter to clearly spell out fiduciary responsibilities and to guide it in its deliberations, thus keep up with current corporate governance trends. Over the reporting period the terms of Messrs. E.N Wotho and G.E Kalaben ended and I express my gratitude to them for having worked diligently to guide BAMB throughout this time.

Future

BAMB is on the final year of implementation of the BAMB three-year Strategic Plan (2011-2014) that guides business operations of the Botswana Agricultural Marketing Board (BAMB). The board is developing another three year strategy for the years 2014 to 2017, this will incorporate a wide organizational review in the process. BAMB has shown bottom line growth as compared to last year which is evident that results are being attained through the implementation of the strategy. This gives me confidence that with improvements in cost management and prudent application of resources and higher profitability hence sustainability of BAMB will be achieved over the remainder of the plan period and beyond.



Mr. David Tibe

BOARD CHAIRPERSON

CHIEF EXECUTIVE OFFICER'S REPORT

"Audited accounts for the year ended 31st March 2013 also show a net profit of P2,091,575 which is favourable compared to net profit of P1,142,969 (31st March 2012). The profit position is largely due to narrow margins which BAMB achieved on the main products sold this year."

- E. Ncaagae, Acting Chief Executive Officer



Financial Performance

Gross Profit

Unstable market conditions are nature of the business BAMB is in, and this unstable market condition affect the margins.

- **Beans** - BAMB lost a lucrative 7500Mt government tender of sugar beans, this had an impact on the sales and ultimately the gross profit.
- **Sorghum** - Stocks got depleted before harvest and this forced BAMB to import sorghum from Australia at the time when prices were high to bridge the supply gap. Margins were forced down because buyers were reluctant to buy the product at high prices.
- **Sunflower** - Margins on the 5800Mt sunflower sold were affected by weight differences and the high cost of transporting sunflower seed from Pandamatenga to a processing plant in South Africa.

Net Profit

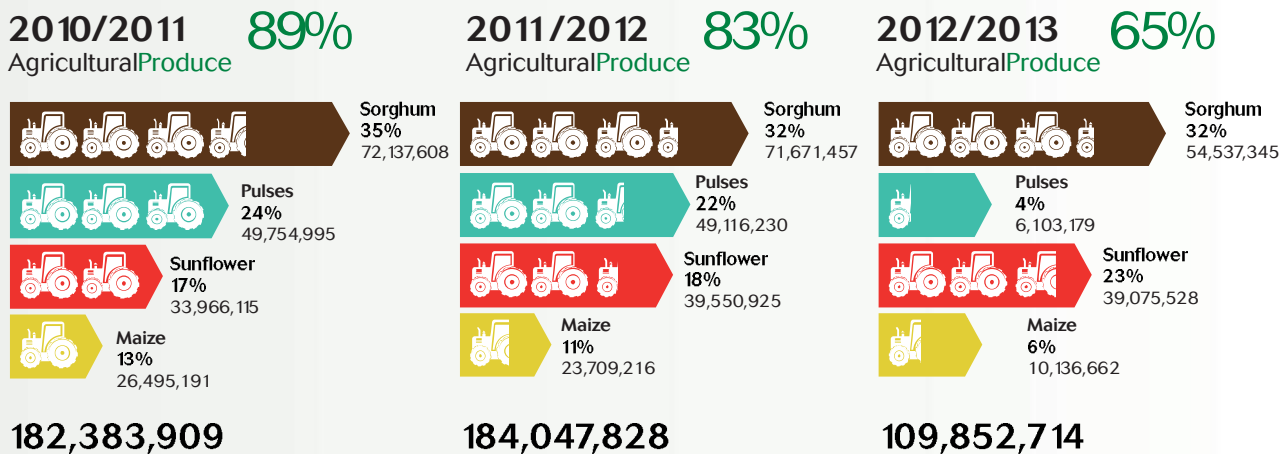
Audited accounts for the year ended 31st March 2013 also show a net profit of P2,091,575 which is favourable compared to net profit of P1,142,969 (31st March 2012). The profit position is largely due to narrow margins which BAMB achieved on the main products sold this year.

Revenue

Revenue decreased from P223 million in 2012 to P175 million in 2013 representing a 21.5% decline. BAMB revenue is derived from two principal sources; the sale of goods and management fees for the Strategic Grain Reserve (SGR) paid to BAMB by the Government of Botswana.

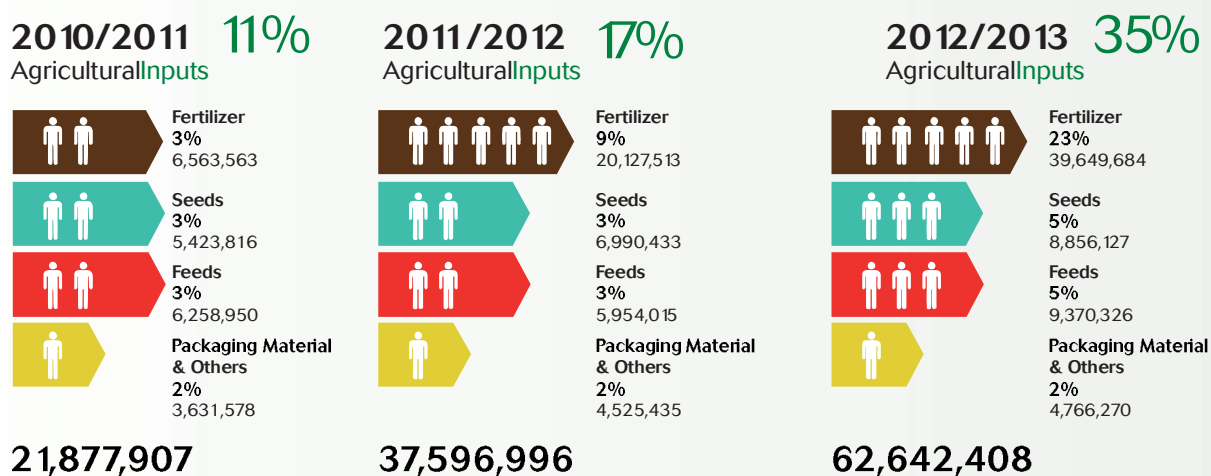
	2010/2011		2011/2012		2012/2013	
Sale of goods	204,231,816	97%	221,645,224	99.50%	172,495,122	99%
SGR Management Fees	5,517,064	3%	1,003,431	0.50%	2,517,047	1%
	209,748,880	100%	222,648,656	100%	175,012,169	100%

Of the total revenue of P172,495,122 derived from product sales during the reporting period, agricultural produce contributed 65% or P109,852,714 compared with 83% or P184,047,828 for the year 2011/2012. Contribution has been distributed by product as shown below.



The decrease in the contribution of agricultural produce to sales was as a result of BAMB losing out on the government sugar beans tender and shortage of the main agricultural products such as sorghum and maize during this period as a result of low output from local sources.

During the reporting period, contribution of agricultural inputs to sales is distributed by product as follows:



The agricultural inputs business is promising especially on the fertilizers side as evidenced by its quantum leap contribution to BAMB business which increased from 17% (P37, 596,996) in 2012 to 35% (62,642,408) in 2013. The utilisation of agricultural inputs (fertilisers and high performing seeds) is driven by an increase in the adoption of new farming technologies for increasing the production of grains in Botswana.

Operational Performance

Grain Purchases

During the 2012/2013 harvesting season BAMB purchased 31,553 Mt of grains. Sorghum purchases were almost double the previous year as purchases jumped from 11,549Mt in 2012 to 21,749Mt in 2013.

PRODUCT	QUANTITY PURCHASED (Mt)				
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Sorghum	15,539	22,679	23,803	11,540	21,749
Maize	6,773	5,337	6,898	9,317	2,574
Sunflower	7,000	69	23	11,437	3,891
Pulses	130	407	1,202	953	3,000
Millet		104	159	520	339
Total	29,442	28,596	32,805	33,767	31,553

Purchases for pulses also shot up from 520Mt in 2012 to a staggering 3,000Mt in 2013, all other grain purchases were lower than the previous year's. It should be noted that quantities purchased during this period constituted only 14% of local demand. This shows that the market for these products is ample, which means that opportunities are abound for growth of the BAMB business and for farmers to increase their production and their earnings from farming.

Agricultural Inputs Supply

	2008/2009	2009/2010	2010/2011	2011/2012	2012/13
Fertilisers (Mt)	3,500	7,996	2,780	3,927	6,070
Seeds (Mt)	500	700	499	688	553

As the sales figures show the amounts have increased from the previous year sales. A steady increase in the sale of these inputs is expected over the next few years as these products are crucial component of Government's effort to increase yield per hectare and grain supplies from local sources hence are supplied as part of a technology package recommended by the National Master Plan for Arable Agriculture (NAMPAAD) and the Integrated Support Programme for Arable Agriculture Development (ISPAAD).

Market Related Producer Prices

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

As a net importer of grain, Botswana is exposed to external market conditions since imports directly compete with local produce because agro-processors/ millers are free to import, if it is cheaper for them to do so. For local produce to compete with imports, BAMB is forced to set producer (buying) prices at par with imports using the South African Futures Exchange (SAFEX) as a benchmark. However, it sometimes happens that when local produce is of a higher quality than imports, BAMB sets buying prices for local produce above the market. In an effort to stabilize the ever fluctuating commodity prices and build confidence in the local market, BAMB sets producer prices on a monthly rather than daily basis during the harvest period. Producer prices for 2012/2013 harvesting season, showed an upward movement for these crops, ie. sorghum, maize and sunflower. This was largely due to low production in the region. Producer prices for the years between 2008 and 2013 ranged as follows:

PRODUCT	PRODUCER AND CONTRACT PRODUCTION PRICE (Pula/Mt)			
	2008/2009	2009/2010	2010/2011	2012/13
Sorghum	1,550 - 1,900	1,650 - 1,700	1,300 - 1,700	2222 - 2950
Millet	1,600 - 2,600	2,600 - 2,600	2,600 - 3,000	2600 - 2600
Maize (White/Yellow)	1,700 - 1,800	1,300 - 1,500	1,100 - 1,420	1789 - 2600
Sunflower	1,182 - 3,540	806 - 1,213	1,702 - 3,150	3,523 - 4,560

Groundnuts & Jugo Beans	5,000 - 7,000	7,000 - 7,000	8,000 - 8,000	8,400 - 8,800
Cowpeas and Beans	5,000 - 6,800	6,000 - 7,000	6,000 - 7,200	7,200 - 14,000

Contract Farming

In this scheme BAMB identifies a market for particular crop and contracts farmers to produce it at agreed prices and quantities ahead of planting. This helps to minimize the farmer's exposure to price risks due to price fluctuations dictated by the market. To make these contracts more attractive they are minimum price contracts, meaning that at the time of delivery BAMB pays a contract farmer at whichever is higher; the contract or the market price. To further build confidence in contracts and encourage contract farmers to deliver whenever their crops are ready, BAMB pays the contract farmer the highest price of the harvest period, ie between May and September.

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

In the 2012/2013 ploughing/planting season, BAMB signed production contracts for the supply of 15,735 Mt of only sorghum and maize, this was largely due to drought.

CUSTOMER SERVICE

BAMB is embarking on developing a "branding strategy" which is envisaged to improve service and have satisfied BAMB customers being farmers and millers. The strategy will encompass the following areas:

- **Brand Audit:** BAMB has engaged a private marketing company to carry out a brand audit. The results of the audit will help BAMB in its brand management and overall marketing strategy.
- Develop and Implement a Quality Management System (QMS)

The development of a Quality Management System (QMS) is progressing well. BAMB is currently developing the documentation required to implement the QMS standard BOS ISO 9001: 2008. This will eventually lead to the certification of the system. The documentation preceded intensive awareness training for staff and QMS Project Steering Committee. To date, the first stage documentation of the system has been achieved mainly the development of the quality policy statement and quality objectives and this will form part of quality manual. By developing and implementing QMS, the Board aims to improve efficiency of its business processes, so as to improve service delivery and provide a consistent service across its branches and other business areas.



- Create and Sustain Business Excellence

A business excellence assessment was conducted to assess the business performance and establish a baseline score which will form the basis for motivating the Board to embark on a journey to excellence. The assessment was intended to determine amongst others the current position, determine future directions and priorities, allow for comparisons and create a focus for agreeing on improvement priorities. The results of the assessment indicated that the Board has to improve on the customer, people and society areas as they were the criteria which scored lowly. These assessments will be conducted annually to judge how well the Board is implementing its strategic plan.

CORPORATE SOCIAL INVESTMENT

Botswana Agricultural Marketing Board (BAMB) has established a Social Responsibility Committee which is mandated to plan and coordinate the implementation of all Corporate Social Investment activities for BAMB.

HUMAN RESOURCE MANAGEMENT

Over the reporting period, staff turnover was fairly low as seven (7) staff members left the company due to resignations, non-renewal of contracts, retirements and dismissals in a staff complement of 151. During the third quarter the CEO, Mr M. Mphathi retired from the Board after concluding his 4th Contract. During the fourth quarter the Marketing and Communications Manager did not renew his contract while the Operations Manager resigned and the recruitment process for their replacements were undertaken in the following year.

To improve staff retention BAMB participates in a remuneration and salary survey on an annual basis to establish whether BAMB salaries are aligned to the market. BAMB also embarked on development and implementation of comprehensive staff retention strategy covering welfare, skills alignment, succession planning and talent management programmes between now and 31st March 2014.

During the reporting period, two Board members, Mr. E.N. Wotho and Ms G.E. Kalaben retired from the Board.

CORPORATE GOVERNANCE

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

- **Finance and Audit Committee**

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

- Marketing and Communication Committee



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

- **Tender Committee**

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

- **Human Resource Committee**

This committee sets and oversees the overall human resources practices of the Board including recruitment and appointments of senior management staff. It also sets performance targets and monitors the performance of the Chief Executive Officer.

Meetings and attendance of the Board and its sub-committees were as follows:

D. Tibe		G.E Kalaben		T. Phuthego		K.N Binns	
Main Board of Directors Meeting		Main Board of Directors Meeting		Main Board of Directors Meeting		Main Board of Directors Meeting	
Maximum Possible Attended	4 4	Maximum Possible Attended	4 3	Maximum Possible Attended		Maximum Possible Attended	4 4
Finance & Audit Committee		Finance & Audit Committee		Finance & Audit Committee		Finance & Audit Committee	
Maximum Possible Attended		Maximum Possible Attended	4 3	Maximum Possible Attended		Maximum Possible Attended	4 2
Human Resource Committee		Human Resource Committee		Human Resource Committee		Human Resource Committee	
Maximum Possible Attended		Maximum Possible Attended		Maximum Possible Attended		Maximum Possible Attended	6 6
Tender Committee		Tender Committee		Tender Committee		Tender Committee	
Maximum Possible Attended		Maximum Possible Attended	1 1	Maximum Possible Attended	1 1	Maximum Possible Attended	
Marketing & Communication		Marketing & Communication		Marketing & Communication		Marketing & Communication	
Maximum Possible Attended		Maximum Possible Attended		Maximum Possible Attended	2 1	Maximum Possible Attended	2 2

E.N Wotho		M. Keaja		S. Motsamai		J.J Van Der Westhuizen	
Main Board of Directors Meeting		Main Board of Directors Meeting		Main Board of Directors Meeting		Main Board of Directors Meeting	
Maximum Possible Attended	4 2	Maximum Possible Attended	4 2	Maximum Possible Attended	4 4	Maximum Possible Attended	4 4
Finance & Audit Committee		Finance & Audit Committee		Finance & Audit Committee		Finance & Audit Committee	
Maximum Possible Attended		Maximum Possible Attended	4 1	Maximum Possible Attended		Maximum Possible Attended	
Human Resource Committee		Human Resource Committee		Human Resource Committee		Human Resource Committee	
Maximum Possible Attended		Maximum Possible Attended	6 3	Maximum Possible Attended	6 6	Maximum Possible Attended	6 2
Tender Committee		Tender Committee		Tender Committee		Tender Committee	
Maximum Possible Attended	1	Maximum Possible Attended		Maximum Possible Attended	1 1	Maximum Possible Attended	1 1
Marketing & Communication		Marketing & Communication		Marketing & Communication		Marketing & Communication	
Maximum Possible Attended	2 1	Maximum Possible Attended		Maximum Possible Attended	2 2	Maximum Possible Attended	



FINANCIAL STATEMENTS
BAMB ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST 2013



GENERAL INFORMATION

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

Country of Incorporation and Domicile:

Botswana

Nature of business and principal activities:

The Board is a parastatal organisation established under an Act of Parliament (CAP 74:06, Act 2 of 1974) to market grain and agricultural produce in Botswana.

Members of the Board

D M Tibe (Chairperson)

K N Binns (Deputy Chairperson)

M Keaja

J Van Der Westhuizen

G E Kalaben (Contract expired 30/11/2012)

E N Wotho (Contract expired 30/11/2012)

T Phuthego

S Motsamai

O S Nkoane (Appointed 01/04/2013)

R Mphathi (Appointed 01/04/2013)

Company Secretary:

K Gaebowe

Registered Office:

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

Postal address

Private Bag 0053
Gaborone
Botswana

Auditor:

Ernst & Young
2nd Floor, Plot 22
Khama Crescent
Gaborone
Botswana

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 2013 which have been prepared on the going concern basis, were approved by the members of the Board on 27/06/13 and were signed on its behalf by:

DIRECTOR

19/08/13

DATE

DIRECTOR

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BOTSWANA AGRICULTURAL MARKETING BOARD

Report on the financial statements

We have audited the accompanying financial statements of Botswana Agricultural Marketing Board, which comprise the statement of financial position as at 31 March, 2013, 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 19 to 53.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of, the financial position of the Botswana Agricultural Marketing Board as at 31 March, 2013, 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

2nd Floor, Plot 22
Khama Crescent
P O Box 41015
Gaborone
Botswana

Gaborone

19/08/13

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
STATEMENT OF COMPREHENSIVE INCOME

Year Ended March 31st			
		2013	2012
Notes		BWP	BWP
Revenue	14	175,012,169	222,648,656
Costs of sale	15	(136,792,288)	(186,511,924)
Gross Profit		38,219,881	36,136,732
Other income	16	2,208,549	2,036,437
Operating expenses	17	(39,460,008)	(37,809,326)
Operating (loss) / profit		968,422	363,843
Finance income	18	1,596,590	1,302,813
Finance costs	19	(473,437)	(523,687)
Profit / (Loss) for the year		2,091,575	1,142,969
Other comprehensive income:			
Gains and losses on property revaluation		-	9,894,297
Other comprehensive income (loss) for the year net of taxation		-	9,894,297
Total Comprehensive income		2,091,575	11,037,266

BOTSWANA AGRICULTURAL MARKETING BOARD
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
STATEMENT OF FINANCIAL POSITION

		Year Ended March 31st	
		2013	2012
Notes		BWP	BWP
ASSETS			
Non current assets			
Property, plant and equipment	2	76,969,745	82,577,097
		76,969,745	82,577,097
Current assets			
Inventories	4	72,582,599	57,230,098
Trade and other receivables	5	14,925,848	27,215,492
Cash and cash equivalents	6	41,554,940	55,502,785
		129,063,387	139,948,375
TOTAL ASSETS		206,033,132	222,525,473
EQUITY AND LIABILITIES			
Equity			
Government equity	7	27,455,061	27,455,061
Reserves		79,401,146	81,179,112
Retained earnings		12,009,189	8,948,284
Total equity		118,865,396	117,582,457
Non-current liabilities			
Finance lease obligation	8	211,964	344,457
		211,964	344,457
Current liabilities			
Finance lease obligation	8	191,694	617,650
Defined Benefit Obligation	24	-	362,228
Trade and other payables	11	83,804,746	99,987,675
Deferred income	9	2,630,176	2,630,175
Provisions	12	329,156	1,000,830
		86,955,772	104,598,558
TOTAL LIABILITIES		87,167,736	104,943,014
TOTAL EQUITY AND LIABILITIES		206,033,132	222,525,473

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
STATEMENT OF CHANGES IN EQUITY

Notes	Government Equity	Revaluation Reserve	Stabilisation Fund	Development Fund	Retained Earnings	Total Equity
As at 01 April 2012	27,455,061	71,161,444	9,017,668	1,000,000	8,948,284	117,582,457
Profit for the period	-	-	-	-	2,091,575	2,091,575
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	2,091,575	2,091,575
Dividends paid					(285,742)	(285,742)
Dividends					(522,894)	(522,894)
Depreciation transfer	-	(1,777,966)	-	-	1,777,966	-
As at 31 March 2013	27,455,061	69,383,478	9,017,668	1,000,000	12,009,189	118,865,396

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
STATEMENT OF CHANGES IN EQUITY

	Notes	Government Equity	Revaluation Reserve	Stabilisation Fund	Development Fund	Retained Earnings	Total Equity
As at 01 April 2011		27,455,061	62,838,100	9,017,668	1,000,000	6,530,287	106,841,116
Loss for the period		-	-	-	-	847,044	847,044
Other comprehensive income		-	9,894,297	-	-	-	9,894,297
Total comprehensive income		-	9,894,297	-	-	847,044	10,741,341
Depreciation transfer		-	(1,570,953)	-	-	1,570,953	-
As at 31 March 2012		27,455,061	71,161,444	9,017,668	1,000,000	8,948,284	117,582,457



BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
STATEMENT OF CASH FLOWS

Year Ended March 31st			
		2013	2012
Notes		BWP	BWP
Cash flows from operating activities			
Profit / (Loss) for the year		2,091,575	1,142,969
Adjustments for:			
Depreciation	2	6,634,552	2,493,625
Bad debts expense	17	3,029,346	1,086,503
Net defined benefit expense		-	865,571
Deferred income utilised during the year	9	-	(866,621)
(Profit)/Loss on foreign exchange		779,175	(408,420)
Loss/(Profit) on sale of assets		500,507	(147,589)
Finance income	18	(1,596,590)	(1,302,813)
Finance costs	19	473,437	523,687
Provisions		(671,674)	150,000
Changes in working capital:			
Increase /(Decrease) in inventories		(15,352,501)	(26,666,244)
Decrease /(Increase) in trade and other receivables		9,260,298	34,417,618
Increase in trade and other payables		(17,810,375)	21,846,251
Cash generated from operations		(12,662,248)	33,134,536
Interest received	17	1,596,590	1,302,813
Interest paid		(473,437)	(932,952)
Contributions paid to the defined benefit pension		-	(815,839)
Net cash from operating activities		(11,539,095)	32,688,558
Cash flows from investing activities			
Purchase of property, plant and equipment		2 (1,681,141)	(1,516,738)
Proceeds from disposal of property, plant and equipment		136,632	148,000
Net cash used in investing activities		(1,544,509)	(1,368,738)
Cash flows from financing activities			
Finance lease payments		8 (558,449)	(678,801)
Dividends paid		(285,742)	
Net cash flows used in financing activities		(844,191)	(678,801)
Net increase in cash and cash equivalents		(13,927,795)	30,641,018
Net foreign exchange difference		(20,050)	(435,771)
Cash and cash equivalents at beginning of year		55,502,785	25,297,537
Cash and cash equivalents at end of the year		41,554,941	55,502,785

BOTSWANA AGRICULTURAL MARKETING BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 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 note 17 Changes in Accounting Policy.

2. Significant judgements and sources of estimation uncertainty

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

2.1 Trade receivables

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

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

2.2 Allowance for slow moving, damaged and obsolete stock

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



BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Significant judgements and sources of estimation uncertainty (Continued)

2.3 Impairment testing

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

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

2.4 Provisions

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

2.5 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.

2.6 Contingent liabilities

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

3 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

3. Property, plant and equipment (Continued)

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

Any increase in the buildings, plant and equipment's carrying amount, as a result of a revaluation, is recorded in other comprehensive income and hence in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

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

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

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

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

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

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

4. Financial instruments

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

BOTSWANA AGRICULTURAL MARKETING BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

4. Financial instruments (Continued)

4.1 Initial recognition

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

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

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

4.2 Subsequent measurement

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

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

4.3 Loans to employees

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

4.4 Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

4.5 Trade and other payables

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

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

4. Financial instruments (Continued)

4.6 Cash and cash equivalents

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

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.

4.9 Derecognition

The Board 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



BOTSWANA AGRICULTURAL MARKETING BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

4. Financial instruments (Continued)

4.9 Derecognition (Continued)

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

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

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

4.10 Offsetting of financial assets and liabilities

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

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

5. Taxation

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

6. Leases

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

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

6.1 Finance leases - lessee

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

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

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

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

BOTSWANA AGRICULTURAL MARKETING BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

6. Leases (Continued)

6.2 Operating leases - lessor

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

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

6.3 Operating leases - lessee

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

7. Inventories

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

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

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

8. Impairment of non-financial assets

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

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

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

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

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

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.

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

8. Impairment of non-financial assets (Continued)

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

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

9. Government equity

Government equity comprises of equity capital and callable capital. Equity capital is recorded at the value at which the loan and other payables to Government was converted on 14 September 2000 based on the Presidential Directive CAB30/2000. Callable capital is recorded at the proceeds received.

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.

The cost of deferred income utilised during the year is written off as an expense in profit or loss and this is deducted from the deferred income balance.

BOTSWANA AGRICULTURAL MARKETING BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

10. Government grants/deferred income (Continued)

10.2 Government grants related to income

These are government grants other than those related to assets.

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

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

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

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

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

11. Employee benefits

11.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, 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.

BOTSWANA AGRICULTURAL MARKETING BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

12. Provisions and contingencies

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

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

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

13. Revenue

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

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

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

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

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

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

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

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

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

BOTSWANA AGRICULTURAL MARKETING BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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. Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

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

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.



BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

16. Foreign currency transactions

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

At each reporting date:

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

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

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

17. Changes in accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with prior year except for the adoption of the following new or revised standards.

The Board has adopted the following new and amended IFRS and IFRIC interpretations during the period. Adoption of these revised standards and interpretations did not have any financial effect on the financial statements of the Board. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies. Only those amendments that impact the Board have been disclosed.

New and amended IFRS and IFRIC interpretations issued but not yet effective:

- IFRS 7 Financial instrument: Disclosures (Amendment)
IAS 12 Income Taxes (Amendment)-Deferred Taxes: Recovery of Underlying Assets

IFRS 7 Financial Instruments: Disclosures (Amendment)

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when:

- Financial assets are derecognised in their entirety, but the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets).
- Financial assets are not derecognised in their entirety.

The effective date of the amendment is 1 July 2011. There was no impact in the financial statements as it did not transfer any financial assets to the extent covered by the amendment, however if any such transactions take place in the future additional disclosures will be provided

BOTSWANA AGRICULTURAL MARKETING BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment is effective for annual periods beginning on or after 1 January 2012. This amendment did not have an impact on financial position, performance or its disclosures.

Standards and interpretations issued but not yet effective

Amended IAS 19	Employee Benefits
IFRS 9	Financial Instruments: Classification and Measurement
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 32	Financial instruments - Presentation
IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
IAS 1	Presentation of items in other comprehensive income (effective 1 July 2012)
IAS 28	Investments in associates and Joint Ventures

Amended IAS 19 Employee Benefits

The amendments of IAS 19 remove the option to defer the recognition of actuarial gains and losses, the corridor mechanism. All changes in the defined benefits plans will be recognised in profit or loss and other comprehensive income.

The effective date of the standard is 1 January 2013. The adoption of these amendments will have no impact as the Board now participates in a defined contribution scheme. The amendment also clarifies the short-term employee benefits will be classified to this category on the basis of expected settlement and no longer when the benefit is due to be settled. Consequently some short-term benefits could be classified as other long-term benefits. A change in classification of the employee benefits could impact the measurement and disclosures of the related benefits.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 reflects Phase 1 of the Board's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the Board will address impairments and hedge accounting. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Board's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Board will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements

IFRS 10 reflects the requirements for determining when a reporting entity controls another entity, and the principles applied when preparing consolidated financial statements replacing IAS 27. The standard is effective for annual periods on or after 1 January 2013. This has no effect on the Board.

IFRS 11 Joint Arrangements

This Standard defines the joint arrangements with joint control, and reflects the principles applied when preparing consolidated financial statements replacing IAS 31 Interest in Joint ventures and SIC-13 Jointly-controlled Entities- Non monetary Contributions by Venturers. The standard is effective for annual periods on or after 1 January 2013. The Botswana Agricultural Marketing Board currently is not in any joint venture/arrangements with other entities, so the amendment has no effect on the financials.



BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities. The standard is effective for annual periods beginning 1 January 2013. Again this amendment has no impact as the Board is a parastatal and it has neither joint arrangements nor associates. IFRS 12 is a disclosures-only standard and therefore will have no effect on profit or loss, or the equity of the Board. Additional disclosures when compared to current effective IFRS will be required.

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The standard is effective for annual periods beginning 1 January 2013. The adoption of IFRS 13 may impact some of the fair values of certain assets and liabilities and thus affects the profit and equity of the Board as well as disclosures regarding fair values. The impact cannot yet be quantified.

IAS 32: Financial instruments - Presentation

The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities. This will have an impact and would need to be accounted for accordingly. Amendment is effective 1 January 2014.

IAS 1: Presentation of items of other comprehensive income (Amendment to IAS 1). The amendment to IAS 1 requires that items presented within OCI be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled. This standard became effective 1 July 2012.

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

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

BOTSWANA AGRICULTURAL MARKETING BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 **NOTES TO THE FINANCIAL STATEMENTS**

2. PROPERTY, PLANT AND EQUIPMENT 2013

	Land and Buildings	Furniture and Fixtures	Motor vehicles	Plant and Machinery	Total Pula
Cost					
At beginning of year	71,464,951	946,819	10,958,118	4,683,935	88,053,823
Additions		15,841	1,089,870	575,430	1,681,141
Revaluation		(1,411)	(100,500)	(42,800)	(144,711)
Disposals			(653,010)		(653,010)
At end of year	71,464,951	961,249	11,294,478	5,216,565	88,937,243
Accumulated Depreciation					
At beginning of year	3,567,803	41,495	126,496	1,740,932	5,476,726
Charge for the year	1,848,674	239,327	3,328,235	1,218,316	6,634,552
Revaluation	42,800	(1,412)	(126,496)	(42,800)	(127,908)
Disposals	-	-	(15,872)	-	(15,872)
At end of year	5,459,277	279,410	3,312,363	2,916,448	11,967,498
Carrying amount					
At beginning of year	67,897,148	905,324	10,831,622	2,943,003	82,577,097
At end of year	66,005,674	681,839	7,982,115	2,300,117	76,969,745

PROPERTY, PLANT AND EQUIPMENT 2012

	Land and Buildings	Furniture and Fixtures	Motor vehicles	Plant and Machinery	Total Pula
Cost					
At beginning of year	70,992,363	913,112	6,634,950	6,272,610	84,813,035
Additions	113,421	23,460	1,036,160	343,697	1,516,738
Revaluation	359,167	202,611	3,515,917	359,000	4,436,695
Disposals	-	(192,364)	(228,909)	(2,291,372)	(2,712,645)
At end of year	71,464,951	946,819	10,958,118	4,683,935	88,053,823
Accumulated Depreciation					
At beginning of year	1,830,481	761,893	4,077,750	4,468,433	11,138,557
Charge for the year	1,780,122	25,177	77,672	625,764	2,508,735
Revaluation	(42,800)	(553,212)	(3,800,017)	(1,062,303)	(5,458,332)
Disposals	-	(192,363)	(228,909)	(2,290,962)	(2,712,234)
At end of year	3,567,803	41,495	126,496	1,740,932	5,476,726
Carrying amount					
At beginning of year	69,161,882	151,218	2,557,200	1,804,177	73,674,478
At end of year	67,897,148	905,324	10,831,622	2,943,003	82,577,098

Assets were revalued by the Board effective 31 March 2012 which resulted in a revaluation gain of P9.89 million.



BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP

3. FINANCIAL ASSETS BY CATEGORY

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

2013	Loans and Receivables	Total
Cash and cash equivalents	41,554,940	41,554,940
Trade and other receivables	14,925,848	14,925,848
	56,480,788	56,480,788

2012	Loans and Receivables	Total
Cash and cash equivalents	55,502,785	55,502,785
Trade and other receivables	27,215,492	27,215,492
	82,718,277	82,718,277

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

4. INVENTORIES

Merchandise	74,902,498	67,681,161
Inventory write-downs	(2,319,899)	(10,451,063)
	72,582,599	57,230,098

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 P28,811,818.04 (2012: 0.00). The inventories held by the Board are sorghum, maize, pulses, fertilizers and seeds.

INVENTORY PLEDGED AS SECURITY

Inventories are pledged as security for the Board's overdraft limits. The current year overdraft limit was set at P20million with an outstanding balance of P0.00 (2012: P99,456.00) at the reporting date.

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

	Year Ended March 31st	
	2013	2012
	BWP	BWP

5. TRADE AND OTHER RECEIVABLES (Continued)

Employee costs paid in advance		906,270
Other receivables	-	-
Prepayments	58,239	1,025,470
Trade receivables	20,636,526	28,023,323
Provision for doubtful debts	(5,768,917)	(2,739,571)
	14,925,848	27,215,492

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

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

Trade and other receivables past due but not impaired

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

At 31 March, 2013, P15,434,019 (2012: P7,828,484) were past due but not impaired. These debts are expected to be realised. The Board has assessed the credit worthiness of the debts and has concluded that the debts are realisable.

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

1 month past due	4,669,204	523,504
2 months past due	1,484,673	1,732,998
3 months past due	586,287	1,534,462
More than 3 months past due	8,693,855	4,037,520
	15,434,019	7,828,484

Trade and other receivables which are current and are neither past due nor impaired amount to P5,260,745 (2012: P19,387,008).

Trade and other receivables impaired

As of 31 March, 2013, the trade and other receivables of P5 768 917 (2012: P2 739 571) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	5,768,917	2,739,571
	5,768,917	2,739,571

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP

5. TRADE AND OTHER RECEIVABLES

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2,739,571	2,303,696
Additional amounts raised	3,029,346	435,875
	5,768,917	2,739,571

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss (Note 16).

The Board does not hold any collateral as tangible security. In order to establish whether trade receivables were impaired the Board assesses the payment history as well as the length of time that the debt had been outstanding.

6. CASH AND CASH EQUIVALENTS

Bank balances	16,558,162	547,361
Cashbook overdraft	-	(99,456)
Cash on hand	186,723	92,035
Short term deposits	24,810,055	54,962,845
	41,554,940	55,502,785

The Board's overall banking facility with Standard Chartered Bank Botswana Limited consist of various facilities as follows:- Botswana Pula Overdraft facility of P20million is to be utilised for general working capital requirements; repayable on demand; carries an interest rate at Bank's prime lending rate less 2.65% per annum. The Board earns interest of around 2% on call accounts and 5.8% on short term fixed deposits and these rates varies from time to time depending on the Bank of Botswana prime rate. United States Dollars letter of credit facility limit of USD2million to be utilised for securing various guarantees in favour of Government of Botswana and fees for this facility will be based on 1% of the value of the guarantee issued. Botswana Pula guarantee facility limit of P11million is to be utilised for issuance of various guarantees in favour of the Government of Botswana and fees for this facility will be based on 1% of the value of the guarantee issued.

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired and are placed with reputed financial institutions which are registered in Botswana. The Board's bankers in Botswana are not rated but each of these banks are subsidiaries of major South African or United Kingdom registered institutions.

BOTSWANA AGRICULTURAL MARKETING BOARD
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP

7. EQUITY AND RESERVES

Government Equity		
Equity Capital	27,455,061	27,455,061
	27,455,061	27,455,061

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

Revaluation Reserve

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

At the beginning of the year	71,161,444	62,838,100
Amortised during the year	(1,777,966)	(1,570,953)
Surplus during the year	-	9,894,297
	69,383,478	71,161,444

Stabilisation Fund

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

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



BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP

7. RESERVES (Continued)

Development Fund

The development fund represents the fund established by Board in terms of Section 13 of the Botswana Agricultural Marketing Board Act 1974 (CAP: 74:06). This fund is created with the amount allocated by the Government and/or any amounts set aside by the Board from time to time not exceeding an amount equivalent to two times of the tonnage of schedule produce handled by the Board in each of the financial years. The amount credited to the development fund would be utilised to meet any deficiency created by way of excess of expenditure over the revenues for each of the financial years or for various development programmes approved by the Minister responsible for Agriculture.

At the beginning of the year	1,000,000	1,000,000
	1,000,000	1,000,000

8. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within 1 year	191,694	855,976
- in second to fifth year inclusive	217,767	477,368
	409,461	1,333,344
less: future finance charges	(5,803)	(371,237)
Present value of minimal lease payments	403,658	962,107
Present value of minimal lease payments due		
- within 1 year	191,694	617,650
- in second to fifth year inclusive	211,964	344,457
	403,658	962,107
Finance lease payments made during the year	558,449	678,801
	558,449	678,801
Financial statement disclosure:		
Non-current liabilities	211,964	344,457
Current liabilities	191,694	617,650
	403,658	962,107

The Board has a Botswana Pula lease facility of P4 million with Standard Chartered bank which is to be utilised specifically for acquisition of motor vehicles; with a maximum lease period of 5 years; carries an interest rate of Bank's prime lending rate less 2% per annum and secured assets financed out of the lease. The finance lease obligation disclosed in Note 8 above has been drawn down from the lease facility held with Standard Chartered Bank Botswana.

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTESTO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP

8. FINANCE LEASE OBLIGATION

It is the Board's policy to lease some of its motor vehicles under finance leases. The average lease term was 3-5 years and the average effective borrowing rate was 2% below prime rate. (2011: 2% below prime rate). Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for payment of contingent rent. The Board's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 2.

Motor vehicles	2,181,330	2,408,000
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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. No funds have been received this year.

Opening balance	2,630,176	3,496,796
Utilised balance during the year	-	(866,620)
	2,630,176	2,630,176

10. DIVIDENDS PAYABLE

Under the presidential directive Cab 40/2004, each parastatal which is not subject to tax on its profits is required to pay 25% of its annual profits as dividend to the Government. A dividend of P522,894.25(2013: P285,742.25) will be paid to the Government since the Board made a profit.

11. TRADE AND OTHER PAYABLES

Trade payables	81,045,448	95,052,930
Payroll accruals	2,236,399	4,934,745
Dividends accrued	522,899	
	83,804,746	99,987,675

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Board for similar financial instruments. The trade and other payables attract no interest and settlement is normally done within 30 days.



BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP
12. PROVISIONS		
At the beginning of the year	1,000,830	150,000
Provision for probable legal losses charged during the year	(671,674)	850,830
At the end of the year	329,156	1,000,830

The provision relates to probable losses from current legal proceedings in which the Board is currently a party to. Due to the uncertainties surrounding the judgement of the legal proceedings the Board has provided for the probable legal losses based on consultations with the Board's legal counsel. The provisions have been based on the advise received from the Board's attorneys which is in respect of probable losses expected to be incurred by the Board resulting from pending litigation cases. These cases comprise mainly the recovery of the Board's debts from impaired debtors. There are no reimbursements that are expected by the Board for any provisions that have been raised.

13. FINANCIAL LIABILITIES BY CATEGORY

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

Financial liabilities at amortised cost:		
Finance lease obligations	403,658	962,107
Trade and other payables	84,327,645	99,987,675
	84,731,303	100,949,782

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	2,517,047	1,003,431
Sale of goods	172,495,122	221,645,225
	175,012,169	222,648,656

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	129,225,629	1 63,003,070
Inventory losses and allowances	2,319,899	10,451,063
Transport subsidy received from Ministry of Agriculture	(3,499,990)	(2,857,319)
Distribution costs	11,060,009	17,983,420
Discounts received	(2,313,259)	(2,068,310)
	136,792,288	186,511,924

BOTSWANA AGRICULTURAL MARKETING BOARD
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTESTO THE FINANCIAL STATEMENTS (cont.)

	Year Ended March 31st	
	2013	2012
	BWP	BWP
16. OTHER INCOME		
Profit on sale of fixed assets	-	147,589
Rent received	1,614,372	1,503,841
Gratuity provision recovered	594,177	385,007
	2,208,549	2,036,437
16.1 Operating lease commitments - Board as a lessor		
<p>The Board has entered into commercial property leases on its Board's surplus office and warehouses. These cancellable leases have remaining terms of between five (5) and ten (10) years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing conditions. Future minimum rentals receivable under cancellable operating leases as at 31 March are as follows:</p>		
Within one year	286,020	264,568
After one year but not more than five years	17,563	16,246
More than five years	6,388,313	5,909,189
	6,691,896	6,190,003
17. OPERATING PROFIT / (LOSS)	968,422	363,843
<p>Operating profit (loss) for the year is stated after accounting for the following:</p>		
Board members' sitting fees and expenses	85,769	76,931
Loss/(Profit) on sale of property plant and equipment	500,507	(147,589)
Deferred income utilised during the year	-	(866,621)
Rental income	(1,614,372)	(1,400,521)
Travelling and accommodation	1,775,306	1,577,679
(Profit)/Loss on foreign exchange	20,050	(548,270)
Repairs and maintenance	922,931	1,559,932
Telephone and fax	631,218	601,108
Office and general expenses	5,701,529	7,112,107
Motor vehicle expenses	404,385	384,372
Impairment of trade and other receivables	3,029,346	1,086,503
Advertising	613,147	440,322
Insurance	1,035,294	999,702
Security	1,055,049	1,321,320
Depreciation on property, plant and equipment	6,634,552	2,493,625
Employee costs	17,885,523	18,116,111
18. FINANCE INCOME		
Interest revenue		
Bank	1,420,678	1,133,707
Interest charged on trade and other receivables	113,174	98,484
Loans to employees	62,738	70,622
	1,596,590	1,302,813

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP
19. FINANCE COSTS		
Bank	383,304	409,097
Finance leases	90,133	114,590
	473,437	523,687

20. AUDITORS REMUNERATION

Fees	368,689	228,753
Audit fee of the defined benefit pension fund	40,000	84,000
	408,689	312,753

21. COMMITMENTS

Authorised capital expenditure

Not yet contracted for and authorised by the board	7,741,000,000	46,886,000
--	----------------------	-------------------

The Board has approved the budgets for the commitments summarised below, however, specific contracts are not yet in place. The summary of the authorised expenditure is as follows:-

Commitment

Sunflower Oil Pressing Plant Project in Pandamatenga	-	36,000,000
Purchase of motor vehicles	241,000,000	1,200,000
Refurbishment of BAMB warehouses	7,500,000,000	9,686,000
	7,741,000,000	46,886,000

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 P1,586,322 (2012: P 8,320,174). The Board has an uncommitted facility in place with its bankers, Standard Chartered Bank Botswana Limited to issue guarantees/letters of credit whenever is required in the normal course of its business. The total guarantees outstanding as at the reporting date is P0.00 (2012: P1,004,531).

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 Ncaagae (Acting Chief Executive Officer)
S Masunga
E Molatlhegi
G Gaebowe
B Nyatshane
S Chikunyane
C Mokgoko

BOTSWANA AGRICULTURAL MARKETING BOARD
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP

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	65,035,635	77,407,970
--	------------	------------

Amounts included in Trade Receivables regarding related parties

Department of Crop Production	2,099,389	1,588,933
Department of Local Government Finance and Procurement	4,694,687	14,754,538
Ministry of Agriculture	-	-

Related party transactions

Purchases from related parties		
Government of Botswana - Strategic Grain Reserve	8,489,417	43,157,442

Board member fee and expenses

Sitting fees and expenses	85,769	76,931
---------------------------	--------	--------

Grants and fees received from Government of Botswana

Strategic Grain Reserve management fees	2,517,047	1,003,431
Transport subsidy - Ministry of Agriculture	3,499,990	2,857,319

Sales to related parties

Department of Crop Productions	34,670,404	14,481,453
Department of Local Government Finance and Procurement	14,945,981	118,520,708
Ministry of Agriculture	3,499,990	2,858,725

There were no related party doubtful debts recognised in the current year (2012: P0.00).

Compensation of key management personnel

Short term employee benefits	3,476,571	2,786,723
Gratuity and leave pay	2,237,604	1,820,803



BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP

24. EMPLOYEE BENEFITS

Post employment benefit plans

The Board has a funded defined benefit pension plan covering substantially all of its employees. The assets of the funded plan are held independently of the Board's asset in separate trustee administered funds. The pension plan is valued by an independent actuary using the projected unit credit method. The latest actuarial valuation was carried out as on 31 March 2012.

Net benefit expense		
Current service cost	(84,949)	(965,748)
Interest cost on benefit obligation	(1,284,214)	(1,021,248)
Expected return on plan assets	1,733,754	906,206
Actuarial gain/(loss) on defined benefit obligation	-	105,501
Actuarial gain/(loss) on plan assets	-	109,718
Net benefit expense	364,591	(865,571)

These expenses have been included in the operating expenses line item on the profit and loss.

Actual return on plan assets	-	906,206
Benefit asset		
Fair value of plan assets	-	12,065,680
Defined benefit obligation	-	(12,427,908)
Net defined benefit (obligation) / asset	-	(362,228)

Changes in the present value of the defined obligation are as follows:

Present value of obligation, 1 April	(12,427,907)	(10,381,452)
Interest cost	(1,284,214)	(1,021,248)
Current service cost	(84,949)	(965,748)
Benefits paid	92,637	123,832
Member contributions	(247,736)	(288,792)
Actuarial gain (loss) on obligation	-	105,501
Value of liability to be transferred to DCP	13,952,169	-
Present value of obligation, 31 March	-	(12,427,907)

Changes in the fair value of plan assets are as follows:

Fair value of plan assets, 1 April	12,065,679	10,068,956
Expected return on plan assets	1,733,754	906,206
Employer contributions	699,853	815,839
Member contributions	247,736	288,792
Benefits paid	(92,637)	(123,832)
Actuarial gain/(loss) on plan assets	-	109,718
Assets transferred to DCP	(14,654,385)	-
Fair value of plan assets, 31 March	-	12,065,679

Funding level of Fund

Assets transferred to DCP	14,654,385	-
Value of liability to be transferred to DCP	(13,952,169)	-
Surplus/ (deficit)	702,216	-

BOTSWANA AGRICULTURAL MARKETING BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 **NOTESTO THE FINANCIAL STATEMENTS (cont.)**

Year Ended March 31st

As at 31 December 2012, on transfer to the defined contribution plan, there was a surplus of P702,216. Management intends to hold part of the surplus (P350 000) as a reserve in the Fund in case of any future claims, part (P352,000) is distributed to the members of the fund.

The principal assumptions used in determining pension benefit obligations for the Board's plan are shown below:

	2013	2012
Discount rate	-	8.25%
Salary increase assumption	-	6.25%
Pension increase assumption	-	3.10%
Expected return on assets	-	8.25%

25. RISK MANAGEMENT

Capital management

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

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

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

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

Financial risk management

The Board's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. 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 trade payables, overdrafts and financial leases. Significant part of its payables relate to amounts owed to Strategic Grain Reserve, a directive managed by the Board. The Board contemplates approaching Government with funding requirements when adequate funding resources are not available as the Board is in itself a Statutory Corporation. The Board also has significant obligations on its employee benefit accruals such as leave pay and gratuity. These liabilities are met out of the operational funds of the Board.

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

BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

25. RISK MANAGEMENT (Continued)

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

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

At 31 March, 2013	Less than 1 Year	Between 2 and 5 years	Over 5 Years
Trade and other payables	81,045,448	-	-
Finance lease obligations	191,694	211,964	-

At 31 March, 2012	Less than 1 Year	Between 2 and 5 years	Over 5 Years
Trade and other payables	95,052,930	-	-
Finance lease obligations	617,650	477,368	-

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, 2013, 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 P20,777.47 (2012: P390,977) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than one year	Due in more than two years
Trade and other receivables	10.50%	20,636,526	-
Short term deposits	5.80%	24,810,055	-
BWP call deposits	2.50%	16,558,162	-
Lease loans	10.50%	(191,694)	(211,964)

BOTSWANA AGRICULTURAL MARKETING BOARD
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

	Year Ended March 31st	
	2013	2012
	BWP	BWP

25. RISK MANAGEMENT (Continued)

Credit risk

The Board is exposed to credit risk on its trade and other receivables, cash and cash equivalents and loans to its employees. The management evaluate the credit worthiness of its customers before a credit facility is granted. Also, many of the customers of the Board comprise of departments of Government of Botswana and her ministries. Cash and bank balances are placed with reputable financial institutions.

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

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

Financial instrument		
Trade receivables	14,925,848	28,023,323
Cash and cash equivalents	41,554,940	55,502,785

The Board does not hold any collateral as security.

Foreign exchange risk

The entity is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

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

The entity does not hedge foreign exchange fluctuations.

At 31 March, 2013, if the currency weakened by 5% against the South African Rands with all other variables held constant, profit for the year would have been P640,650 (2012: P755,814 higher) lower, mainly as a result of foreign exchange gains or losses on translation of South African Rands denominated financial assets and financial liabilities.

At 31 March, 2013, if the currency weakened by 5% against the United States Dollar with all other variables held constant, profit for the year would have been P9515 (2012: P3,575,263 higher) lower, mainly as a result of foreign exchange gains or losses on translation of United States Dollars denominated financial assets and financial liabilities.



BOTSWANA AGRICULTURAL MARKETING BOARD
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP

25. RISK MANAGEMENT (Continued)

Foreign current exposure at the end of the reporting period

Current assets

Cash and cash equivalents, USD6,326 (2012: USD6,325)	44,544	44,544
Cash and cash equivalents, ZAR317,920.50 (2012: ZAR232 583)	292,073	7
Liabilities		
Trade payables, ZAR3,203,651.55 (2012: ZAR 2,644,731)	2,080,293	2,429,703
Trade payables, USD0.00 (2012: USD 5,517,350)	-	38,854,579
Exchange rates used for conversion of foreign items were:		
USD	0.1170	0.1330
ZAR	1.1540	1.0275

25 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.





STRATEGIC GRAIN RESERVE
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST 2013





GENERAL INFORMATION

STRATEGIC GRAIN RESERVE

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

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

E Ncaagae
(Acting 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

Auditor

Ernst & Young
2nd Floor, Plot 22
Khama Crescent
Gaborone
Botswana

Company registration number

687900

Managing Agent

Botswana Agricultural Marketing Board

Measurement and Presentation Currency

Botswana Pula

CONTENTS

Report of the independent auditors	2
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7 - 20

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 March 2013, which have been prepared on the going concern basis, were approved by the members of the Board on 27/06/13 and were signed on its behalf by

DIRECTOR

DIRECTOR

19/08/13

DATE



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STRATEGIC GRAIN RESERVE

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, 2013, 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 58 to 74.

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 dated 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. 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, 2013, 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 dated 13 October 2009.

 **ERNST & YOUNG** *Ernst & Young*

Practicing Member: Bakani Ndwapi (19980026)
Certified Auditor

Gaborone
19/08/13

2nd Floor, Plot 22
Khama Crescent
Gaborone
Botswana


STRATEGIC GRAIN RESERVE
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
STATEMENT OF COMPREHENSIVE INCOME

Year Ended March 31st			
		2013	2012
	Notes	BWP	BWP
Revenue	8	8,913,892	46,107,911
Costs of sales	9	(8,489,417)	(42,140,267)
Gross Profit		424,475	3,967,644
Administration expenses	11	(2,572,187)	(1,010,903)
Operating expenses	12	(1,118,940)	-
Operating Profit /(Loss)		(3,266,652)	2,956,741
Finance income	10	7,448,743	6,571,977
Profit /(Loss) for the year		4,182,091	9,528,718
Other comprehensive income		-	-
Total Comprehensive income		4,182,091	9,528,718



STRATEGIC GRAIN RESERVE
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
STATEMENT OF FINANCIAL POSITION

Year Ended March 31st

		2013	2012
	Notes	BWP	BWP
Current assets			
Inventories	2	28,811,818	-
Trade and other receivables	3	65,435,109	77,429,021
Cash and cash equivalents	4	121,785,732	134,446,547
		216,032,659	211,875,568
TOTAL ASSETS		216,032,659	211,875,568
EQUITY AND LIABILITIES			
Equity			
Reserves	7	205,389,405	205,389,405
Accumulated profit /(loss)		10,640,592	6,458,502
Total equity		216,029,997	211,847,907
Current liabilities			
Trade and other payables	5	2,662	27,662
		2,662	27,662
TOTAL LIABILITIES		2,662	27,662
TOTAL EQUITY AND LIABILITIES		216,032,659	211,875,568


STRATEGIC GRAIN RESERVE
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
STATEMENT OF CHANGES IN EQUITY

		Year Ended March 31st	
		2013	2012
Notes		BWP	BWP
	Reserves	Accumulated Profit / (Loss)	Total Equity
Balance at 31 March 2011	7 205,389,405	(3,070,216)	202,319,189
Total comprehensive income	-	9,528,717	9,528,717
Balance at 31 March 2012	7 205,389,405	6,458,501	211,847,906
Total comprehensive income		4,182,091	4,182,091
Balance at 31 March 2013	205,389,405	10,640,592	216,029,997



STRATEGIC GRAIN RESERVE
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
STATEMENT OF CASH FLOWS

		Year Ended March 31st	
		2013	2012
	Notes	BWP	BWP
Cash flows from operating activities			
Profit/(Loss) for the year		4,182,091	9,528,718
Adjustments for:			
Profit/(Loss) on foreign exchange		76,265	-
Finance income	10	(7,448,743)	(6,571,977)
Changes in working capital:			
Decrease(increase) in inventories		(28,811,818)	20,976,209
Decrease(Increase) in trade and other receivables		11,993,912	(18,881,616)
Decrease in trade and other payables		(25,000)	(204,848)
Cash generated from /(Utilised in) operations		(20,033,293)	4,846,486
Interest received	10	7,448,743	6,571,977
Net cash from operating activities		(12,584,550)	11,418,463
Net increase/(decrease) in cash and cash equivalents		(12,584,550)	11,418,463
Net foreign exchange difference		(76,265)	-
Cash and cash equivalents at beginning of year	4	134,446,547	123,028,084
Cash and cash equivalents at end of the year	4	121,785,732	134,446,547

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. 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.

2.2 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 Reserve 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.

3. Financial instruments

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

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.



STRATEGIC GRAIN RESERVE
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.2 Subsequent measurement

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

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

3.3 Trade and other receivables

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

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

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 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 finance costs. 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 finance costs.

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

3.7 Derecognition

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 Offsetting of financial assets and liabilities

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

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

4. Tax

Tax expenses

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

5. Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The inventories mainly comprise of maize, sorghum and, sunflower

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

6. Impairment of non-financial assets (continued)

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.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase



STRATEGIC GRAIN RESERVE
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

7. 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.

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

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

8. 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.

9. 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.

STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

10. New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

IAS 12 Income Taxes - Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The standard has no impact the reported financial performance of the Board because the Board is tax exempt. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Board's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

Standards issued but not yet effective

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

Amended IAS 19 Employee Benefits

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

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, **IAS 28 Investments in Associates**, has been renamed **IAS 28 Investments in Associates and Joint Ventures**, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.



STRATEGIC GRAIN RESERVE
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 reflects Phase 1 of the Board's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the Board will address impairments and hedge accounting. The standard classifies financial instruments into two main categories, financial instruments measured at amortised costs or fair value. The standard also allows an entity the option to designate financial instruments at fair value through profit or loss, but only for accounting mismatches. The treatment prescribed regarding financial liabilities is more or less similar to what is current required by IAS 39.

IFRS 10 Consolidated Financial Statements

IFRS 10 reflects the requirements for determining when a reporting entity controls another entity, and the principles applied when preparing consolidated financial statements replacing IAS 27. The standard is effective for annual periods on or after 1 January 2013. This has no effect on the Board.

IFRS 11 Joint Arrangements

This Standard defines the joint arrangements with joint control, and reflects the principles applied when preparing consolidated financial statements replacing IAS 31 Interest in Joint ventures and SIC-13 Jointly-controlled Entities-Non monetary Contributions by Venturers. The standard is effective for annual periods beginning 1 January 2013. The Botswana Agricultural Marketing Board currently is not in any joint venture/arrangements with other entities, so the amendment has no effect on the financials.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities. The standard is effective for annual periods on or after 1 January 2013. Again this amendment has no impact as the Board is a parastatal and it has neither joint arrangements nor associates. IFRS 12 is a disclosures-only standard and therefore will have no effect on profit or loss, or the equity of the Board. Additional disclosures when compared to current effective IFRS will be required.

Standards issued but not yet effective

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The Board is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. The standard is effective for annual periods beginning 1 January 2013.

IAS 32: Financial instruments - Presentation

The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities. This will have an impact and would need to be accounted for accordingly. Amendment is effective 1 January 2014.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with prior year except for the adoption of the following new or revised standards.

The Reserve has adopted the following new and amended IFRS and IFRIC interpretations during the period. Adoption of these revised standards and interpretations did not have any financial effect on the financial statements of the Reserve. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies. Only those amendments that impact the Reserve have been disclosed.



STRATEGIC GRAIN RESERVE

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard will have an effect on the classification and measurement of the company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The amendment affects disclosure only and has no impact on the Reserve's financial position or performance. The standard is effective for annual periods beginning on or after 1 January 2015.

IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon Derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and there will be no impact on the Reserve's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.



STRATEGIC GRAIN RESERVE
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS

	Year Ended March 31st	
	2013	2012
	BWP	BWP
2. INVENTORY		
Merchandise	28,811,818	-
Inventory write-downs	-	-
	28,811,818	-

During the 2012 financial year the Reserve sold all stock to the Botswana Agricultural Marketing Board hence, there was no balance at year end. The inventory was sold so that new inventory can be purchased by the Reserve.

3. TRADE AND OTHER RECEIVABLES

Trade Receivables	65,435,109	77,429,021
	65,435,109	77,429,021

The maximum exposure to credit risk at the reporting date is the carrying value of each class of loan mentioned 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 2013, P0.00 (2012: P0.00) were past due but not impaired.

Credit quality of trade and other receivables

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

4. CASH AND CASH EQUIVALENTS

Bank Balances	2,760,130	1,383,403
Short term deposits	119,025,602	133,063,144
	121,785,732	134,446,547

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. The Strategic Grain Reserve's bankers in Botswana are not rated but each of these banks are subsidiaries of major South African registered institutions.


STRATEGIC GRAIN RESERVE
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

	Year Ended March 31st	
	2013	2012
	BWP	BWP
5. TRADE PAYABLES		
Trade Payables	2,662	27,662
	2,662	27,662

The carrying amounts of trade and other payables approximates its fair value, due to the short term maturity of financial liabilities measured at amortised cost. The trade payables do not attract any interest and are normally settled within 30 days.

6. FINANCIAL INSTRUMENTS

	Carrying Value 2013	Fair Value 2013
FINANCIAL ASSETS		
Loans and receivables;		
Trade and other receivables	65,435,109	65,435,109
Cash and cash equivalents	121,785,732	121,785,732
	187,220,841	187,220,841
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost;		
Trade payables	2,662	2,662
	2,662	2,662

	Carrying Value 2012	Fair Value 2012
FINANCIAL ASSETS		
Loans and receivables;		
Loans and receivables	77,429,021	77,429,021
Cash and cash equivalents	134,446,547	134,446,547
	211,875,568	211,875,568
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost;		
Trade payables	27,662	27,662
	27,662	27,662



STRATEGIC GRAIN RESERVE
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	MARCH 2013	MARCH 2012
	BWP	BWP
7. RESERVES AND CAPITAL		
Opening balance	205,389,405	205,389,405
Amounts received during the year	-	-
	205,389,405	205,389,405
Strategic Grain Reserve is established through presidential directive to store and supplement the grain reserves of the country. The government funds the procurement through infuse of capital as and when required. The Reserve is disbursed by the Government of Botswana to buy inventory for the Strategic Grain Reserve.		
When new funds are received they are accounted as the equity injection into the reserve. The reserve can be derecognized when the government reduces the strategic reserve by withdrawing the funds.		
8. REVENUE		
Sale of goods	8,913,892	46,107,911
	8,913,892	46,107,911
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	8,489,417	42,140,267
	8,489,417	42,140,267
10. FINANCE INCOME		
Interest Income	7,448,743	6,571,977
	7,448,743	6,571,977
11. ADMINISTRATION EXPENSES		
Administration charges	2,517,048	978,431
Bank charges	55,139	7,472
Audit Fees	-	25,000
	2,572,187	1,010,903
12. OPERATING EXPENSES		
Unrealised Exchange gain/loss	76,265	-
Bean subsidy	799,200	-
Stock adjustment write off	243,475	-
	1,118,940	-



STRATEGIC GRAIN RESERVE
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP

13. RELATED PARTIES

Relationships

Owner with significant influence
Members of the Reserve
Members of key management

Government of Botswana
Refer to general information page
E Ncaagae (Acting Chief Executive Officer)
S Masunga
E Molatlhegi
K Gaebowe
B Nyatshane
S Chikunyana
C Mokgoko

Related party balances

Terms and conditions

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

Sales to related parties

Botswana Agricultural Marketing Board	8,489,417	46,107,911
Amounts included in trade receivables regarding related parties		
Botswana Agricultural Marketing Board	65,062,806	77,407,970
Administration fees paid to related parties		
Botswana Agricultural Marketing Board	3,316,248	978,431

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 2013, the reserve had P28,811,818 inventory to be sold to the Board next financial year.



STRATEGIC GRAIN RESERVE
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP

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 gearing ratios and cost of capital calculations.

Financial risk management

The Reserve's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The reserve has USD and ZAR foreign currency bank accounts.

Market Risk

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than one year	Due in more than two years
Short term deposits	5.80%	1 19,025,602	-
Bank balances	2.50%	2,760,130	-

At 31 March, 2013, 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 P608,929 (2012: P672,233) lower/higher, mainly as a result of higher/lower interest income on floating rate borrowings.

Credit risk

The Reserve is exposed to credit risk on its trade and other receivables and cash and cash equivalents. Management evaluate the credit worthiness of its customers before a credit facility is granted. Also 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.



STRATEGIC GRAIN RESERVE
 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST 2013
NOTES TO THE FINANCIAL STATEMENTS (cont.)

Year Ended March 31st

	2013	2012
	BWP	BWP

14. RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that the counterparty may not settle the obligation within the reasonable time. 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.

At 31 March, 2013	Less than 1 Year	Between 2 and 5 years	Over 5 Years
Trade and other payables	2,662	-	-

At 31 March, 2012	Less than 1 Year	Between 2 and 5 years	Over 5 Years
Trade and other payables	27,662	-	-

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 US dollar and ZAR exchange rates, with all other variables held constant. The impact on the Reserve's profit before tax is due to changes in the fair value of monetary assets. The Reserve's exposure to foreign currency changes for all other currencies is not material.

	Change in rate	Effect on profit before	Effect on equity
2013	+5%	(71,395)	(71,395)
	-5%	71,395	71,395
2012	+5%	(72,730)	(72,730)
	-5%	72,730	72,730

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.