BAMB

BOTSWANA AGRICULTURAL MARKETING BOARD

18/19 ANNUAL REPORT

FEEDING THE NATION

FOR A SUSTAINABLE FUTURE

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

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OUR OVERVIEW

OUR MANDATE

The Botswana Agricultural Marketing Board (BAMB) was established by the BAMB Act CAP 74:06 mandated to provide a market for locally grown scheduled crops such as cereals, pulses/beans and oilseeds, and ensure that adequate supplies exist for sale to customers at affordable prices.

POWERS OF BAMB CONFERRED BY THE ACT

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

THE ACT ALSO REQUIRES BAMB

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

OUR VISION
To lead, to empower and grow the market for grain

OUR MISSION

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

VALUES

- Innovation
- Integrity
- Teamwork
- Efficiency

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COUNTRY BRANCHES

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

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

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

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

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

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

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

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

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

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

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

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

TUTUME BRANCH
Tel: 247 0005

JWANENG BRANCH
Tel: 588 3311

HUKUNTSI BRANCH
Tel: 651 0343

MOLEPOLOLE BRANCH
Tel: 590 6050

SALES OFFICES

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

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BAMB OFFERS THE FOLLOWING TO THE FARMING COMMUNITY AND CONSUMERS:

PRODUCTS

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

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

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

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

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

SERVICES

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

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

Contract Farming:
Under this scheme BAMB identifies a market for a particular crop and contracts farmers to produce and supply BAMB with crops such as sorghum, maize, cowpeas or beans at agreed price and quantities prior to planting. This helps to minimize farmers exposure to price risks due to price fluctuations dictated by m arket conditions, hence empowering local farmers to commercialize their arable farming operations.This arrangement facilitates forward buying and selling of commodities well ahead of delivery of the physical commodity. This facility is open to any farmer who produces locally provided he can produce 10Mt or more per crop. Small farmers can combine their produce to meet the minimum of 10Mt.

The Benefits include amongst others:

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

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BOARD MEMBERS

Dr Gloria Somolekae
BOARD CHAIRPERSON

Ms Ruth Mphathi
DEPUTY
BOARD MEMBER

Mr Modisa Kebonyemodisa
BOARD MEMBER

Mr Quett Rabai
BOARD MEMBER

Mr Thabang Lesly Botshoma
BOARD MEMBER

Ms Ogone Madisa-Kgwarae
BOARD MEMBER

Ms Zibo Nthobatsang
BOARD MEMBER

Mr Devin Lyle Wheeler
BOARD MEMBER

Ms Onkemetse Thomas
BOARD SECRETARY

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MANAGEMENT TEAM

Mr Leonard Morakaladi
CHIEF EXECUTIVE
OFFICER

Ms Tobile Lemo
HEAD,
FINANCE

Ms Kopano Mokobi
HEAD,
COMMERCIAL & BUSINESS
DEVELOPMENT

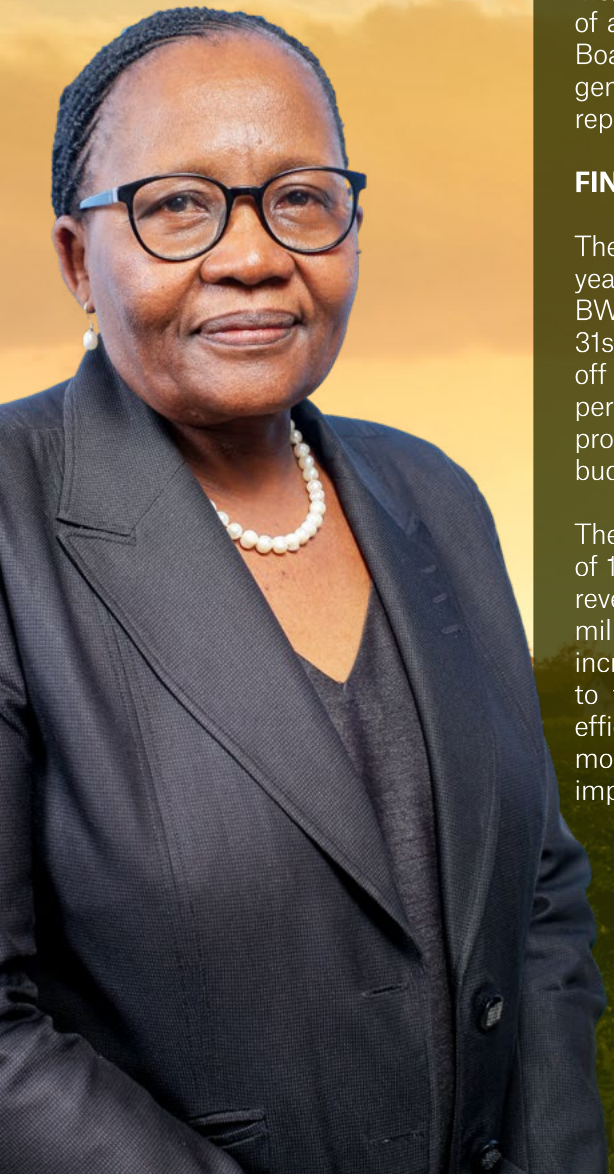
Mr Bashi Ratshosa
HEAD,
OPERATIONS

Mr Tumelo Keitumetse
HEAD,
INTERNAL AUDIT

Mr Waboraro Mokgatla
HEAD,
HUMAN RESOURCE

Dr Benjamin Ditsele
HEAD,
VETERINARY SERVICES

CHAIRPERSON'S STATEMENT



In accordance with section 17 (1) of the act, CAP 74:06, I am honoured to present the Botswana Agricultural Marketing Board (BAMB) annual report for the year ended 31st March 2019.

The Financial Accounts were approved by the Board of Directors at a meeting held on the 31st October 2019.

Included in this report is the statement of accounts, which outlines how the Board's operational revenues were generated and utilized during the reporting period.

FINANCIAL RESULTS

The Board recovered from a tough year after reporting a loss of BWP65million for the year ended 31st March 2018. The Board closed off the year with a strengthened performance after reporting a profit of BWP70.7million against a budgeted profit of BWP3,2million.

The Board achieved a revenue growth of 16% against the prior year`s sales revenue of BWP269 million to P312 million in the year under review. This increase in revenue was attributable to focus being placed on financial efficiencies and strategies that were more customers centric in order to improve the business.

A key highlight to the volume contribution was the boarder closure initiative which resulted in substantial uptake of local produce by commercial millers.

Administrative costs grew by 3% which is in line with the Board`s efforts to contain costs within a tolerance level of 10% annually.

The Board`s balance sheet ratios improved significantly as the Board focused its efforts on reducing its gearing through repayment of its borrowing facilities with financial institutions. Cash flows also strengthened as the Board was able to recover significant balances from its major debtors. This performance demonstrates an overall improvement to the Board`s operations.

FOOD SECURITY

As a major player in ensuring food security for the nation, the Board continues to manage the Government Strategic Grain Reserve (SGR). In this year 2018/19, the Board held 30 000mt of sorghum and 2 000mt of pulses while there was no maize.

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

CORPORATE GOVERNANCE

The Board of Directors of BAMB established in accordance with section 3 of the BAMB Act, CAP 74:06 remains committed to corporate governance principles of transparency, accountability and integrity.

Although the mandate of the Board of Directors is spelt out by the Act, the Board also has a Board Charter that clearly spells out fiduciary responsibilities that guide it in its deliberations, thus keeping up with corporate governance trends.

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

Dr Gloria Somolekae
BOARD CHAIRPERSON

16%
Revenue increased
from P286 million to P329 million

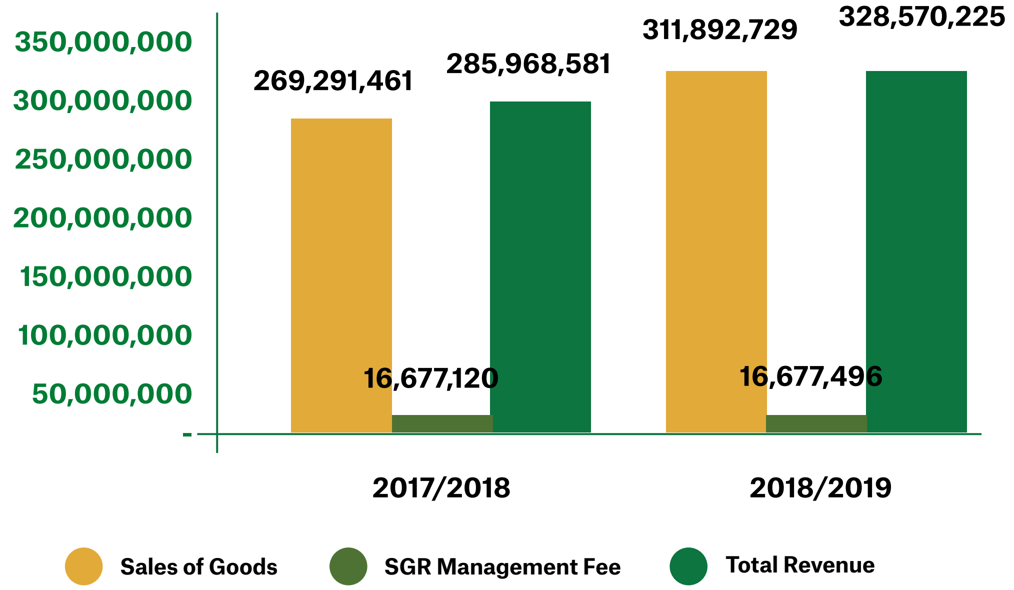
Working Capital Ratio
0.76
(total current assets/ total current liabilities)

Debt to Equity Ratio
1.78
(total liabilities/ total equity)

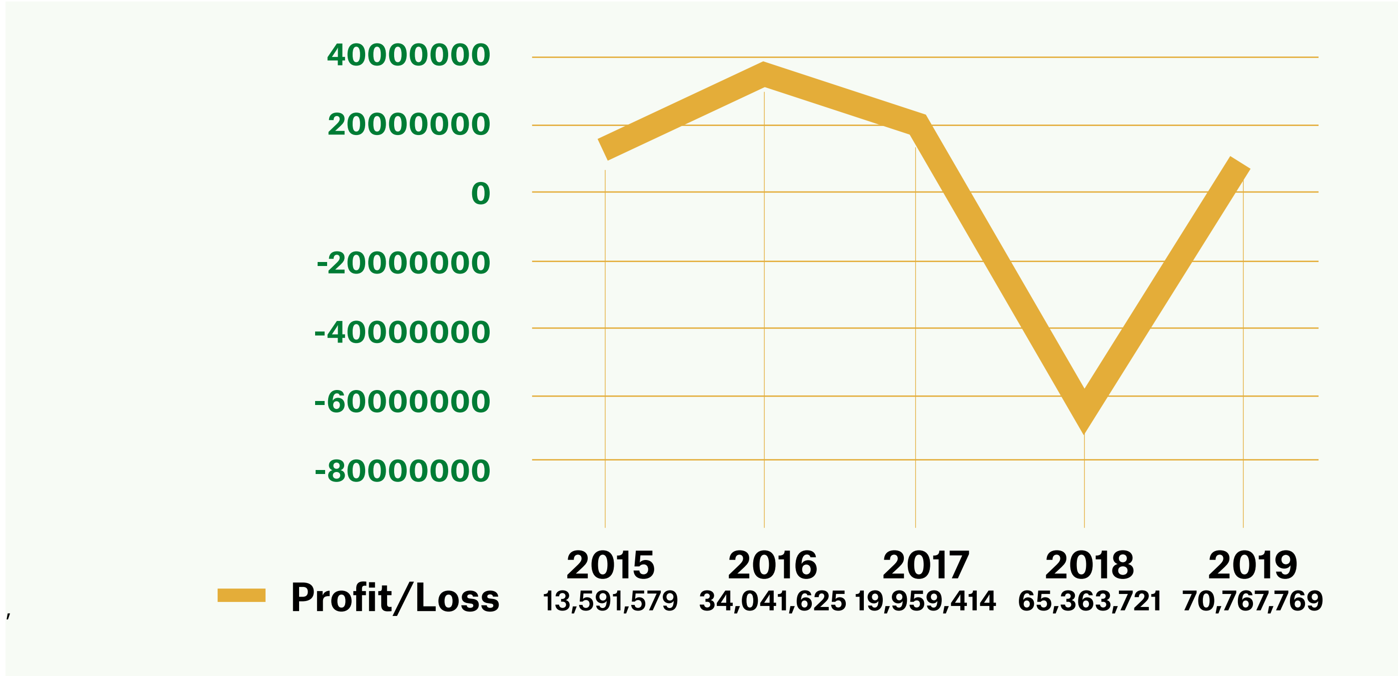
CHIEF EXECUTIVE OFFICER'S STATEMENT

FINANCIAL PERFORMANCE

This year the Board's increased revenue from P285 million to P328 million. This is as a result of strengthened relationships with key customers and intensified marketing strategies to strengthen the Board's footprint in the market.



The Board closed with a profit of BWP 70.7 million against a budgeted profit of BWP3.2 million.



Sales Revenue: 22% (BWP89,172,612) below budget, however, there is significant improvement from the prior year sales by 16%;(BWP 42,601,046).

Cost of Sales: 14% (BWP 43,630,152) below budget; (due to sales revenue being below budget (cost of sales moves in line with revenue).

Gross Profit: 37% (BWP 36,651,348) below budget due to sales revenue being below budget. Besides the negative volume performance, a major contributor to the negative impact was the write-off of RSA sorghum to the value of BWP13,832,970. It is however notable that there has been a significant improvement in the gross profit margin which is currently at 20% while the prior year`s gross profit which was only 6%.

Other Income; was the major contributor to the reported profit, due to LAC grant of BWP30,500,000 received from the Government for the LACs takeover.

SGRs Management fees: contributed 5% to the Board`s total revenues, were above budget by 114%. The actual is invoiced at BWP1,389,791 per month based on 10% of total storage rental charged for physical SGR stocks held.

Operating Expenses: were below budget by 1%, due to ongoing cost saving initiatives however the impact was offset by the high interest charges on borrowings as the Board is heavily indebted.

Gearing: It is notable that the Board managed to significantly reduce its borrowings by 60% from BWP172,250,882 to BWP103,434,113 in the current year.

CHIEF EXECUTIVE OFFICER'S
STATEMENT (cont.)

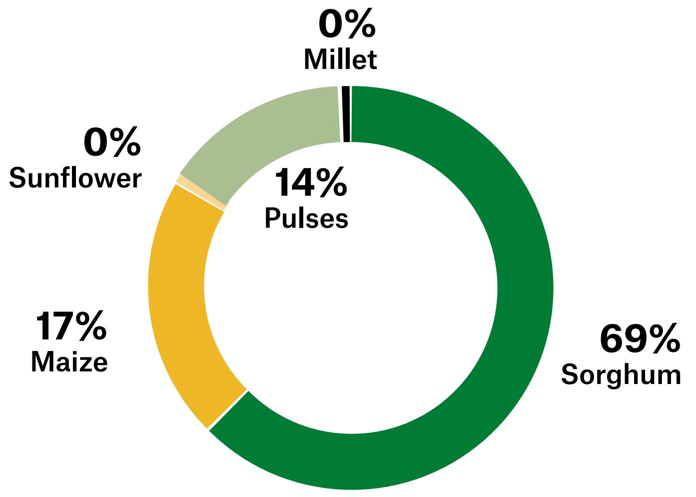
GRAIN PURCHASES

During the 2018/2019 harvesting season, a total of 41, 107.93 tonnes of grains were purchased.

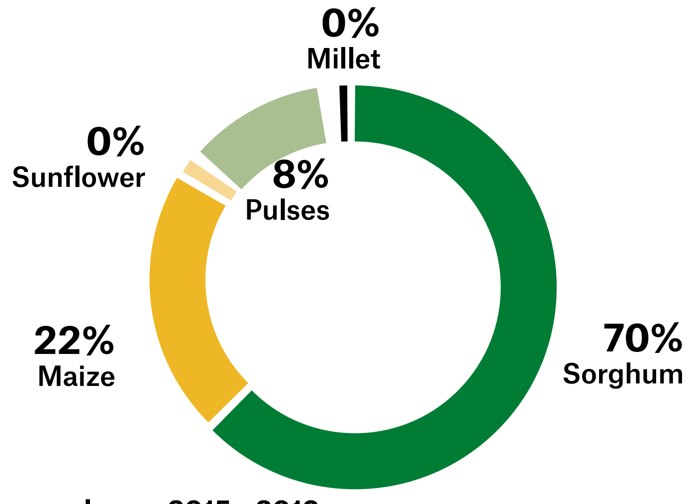
PRODUCT	QUANTITY PURCHASED (Mt)				
PRODUCT	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Sorghum	27,803	31,226	33,697	18,182	28,659
Maize	239	385	5,392	4,480	9,216
Sunflower	0	0	0	0	0
Pulses	6062	8,046	8,871	3,768	3,232
Millet	0	0	214	0	0
Total	**34,104**	**39,657**	**48,174**	**26,430**	**41,108**

The Board purchased 28,659.73mt of sorghum from farmers as compared to 18,182mt in the previous year. In the years 2018 and 2019, the Board did not receive millet and sunflower from farmers due to limited production of these crops. Maize purchases accounted for 22% of the total purchases in 2019 when compared to 17% in 2018. Pulses contributed 8% to total grain purchases in 2019 when compared to 14% in 2018.

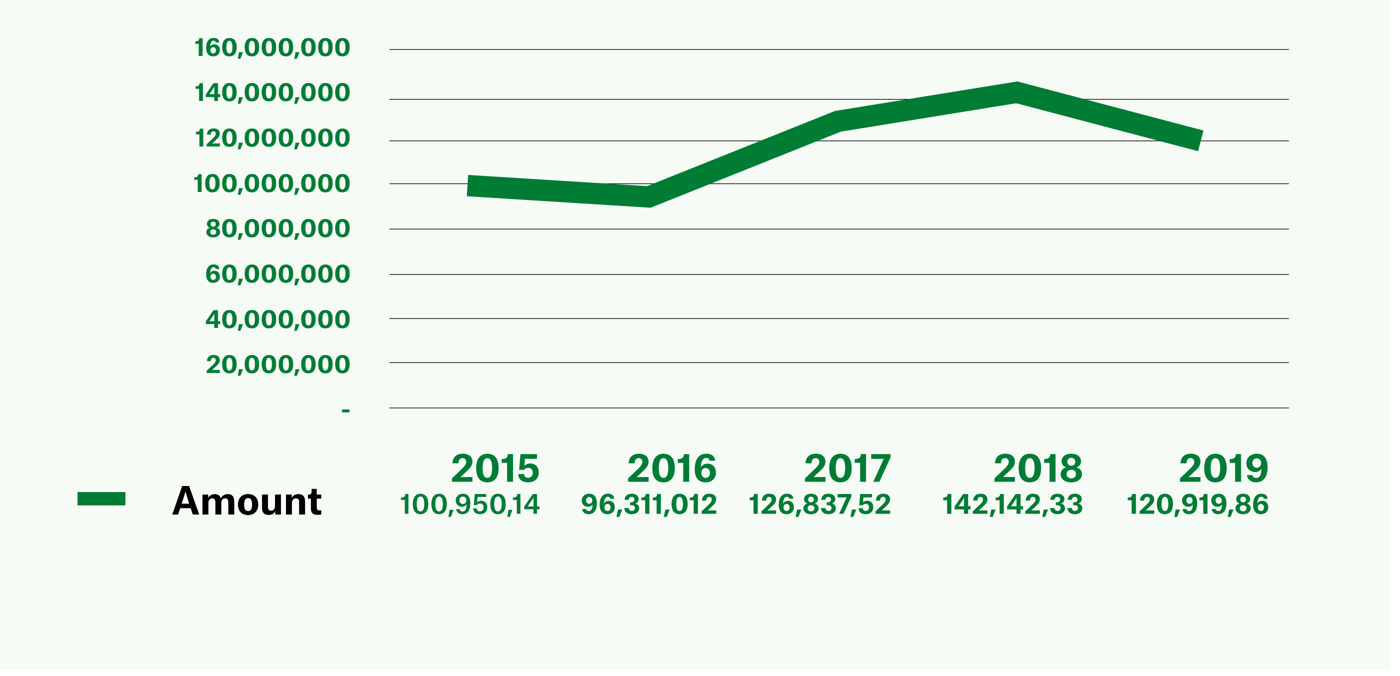
2017/18 Grain purchases



2018/19 Grain purchases



Monetary value of grain purchases 2015 - 2019



CHIEF EXECUTIVE OFFICER'S
STATEMENT (cont.)

OPERATIONAL PERFORMANCE

i) Producer Prices
The producer price for cowpeas and beans remained unchanged at P14000/Mt as per the Government of Botswana production subsidy to farmers.

PRODUCER AND CONTRACT PRODUCTION PRICE (Pula/Mt)					
PRODUCT	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**
Sorghum	1,850 - 2,550	2,000 - 2,700	2,450 - 2,700	2,000 - 2,550	2,250 - 2,650
Millet	1,700	2,000 - 2,750	3,000	2,500	2,200 - 3,050
Maize (White/Yellow)	1,600 - 1,800	2,070 - 2,500	2,200 - 3,000	1,495 – 2,400	1,675 - 2,400
Sunflower	2,850-3,200	1,745 - 2,817	2,817	2,000 – 4,000	2,000 - 3,099
Groundnuts & Jugo Beans	9,200 - 9,900	10,000 - 12,000	12,000	12,000 - 14,000	9,000 - 14,000
Cowpeas and Beans	5,850 - 1,4000	14,000 - 14,000	14,000	14,000	14,000

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

PROJECTS

The Board commissioned infrastructural projects in Maun, Ganzi, Tutume during the reporting period to improve operational efficiency. All the projects have since been completed and occupied.

HUMAN RESOURCE MANAGEMENT

BAMB staff compliment in the 2018/19 was 316 employees and the actual was 287 by March 2019.

The Board of Directors approved the conversion of eighteen (18) Managers from Permanent and Pensionable employment to contract employment effective 01st April 2019.

Leonard Morakaladi
CHIEF EXECUTIVE

BAMB BOARD GOVERNANCE AND STRUCTURE

The Board recognises that it is ultimately responsible for the strategic direction of Botswana Agricultural Marketing Board (BAMB) through the delegation of various duties to the Chief Executive Officer and Executive Management. The Board is conscious of its obligations and accountability to the shareholder, as well as other stakeholder expectations.

In the execution of its duties the Board is guided by a Board Charter, which amongst others, clearly sets out the Board's role, duties and responsibilities. The Charter provides for Board structures, procedures and processes; which assists the Board in regulating how it conducts its business. In addition, BAMB has adopted relevant corporate governance principles as laid out in the King III Code on Corporate Governance to enhance its effectiveness.

COMPOSITION

The Minister of Agricultural Development and Food Security appoints the Board Members and charges the Board with the responsibility of setting the direction of the Organisation's affairs. BAMB Board is comprised of exclusively non-executive Members; the Board is currently composed of nine (9) non-executive Members and a non-executive Board Chairperson, in accordance with the BAMB Act. This board structure ensures that the Board maintains a high level of objectivity and independence in Board deliberations and resolutions. Conforming to the dictates of the King III Code of Corporate Governance, which is accepted by the Board as a sound and robust benchmark for best corporate governance practice, the roles of Board Chairperson and the Chief Executive Officer are separate, with a clear role distinction of duties. The Board members are experts in various fields including; accounting and finance, strategy, law, Veterinary medicine, arable farming and horticulture.

The table below sets out the current composition of the Board and the membership of each Board Committee.

	Board of Directors	Finance and Audit Committee	Human Resources	Board Tender Committee	Value Chain Committee
Dr Gloria Somolekae (Chairperson)	✔				
Mrs Ruth Mphathi	✔	✔		✔	
Ms Ogone Madisa-Kgwarae	✔	✔	✔		
Ms Zibo Nthobatsang	✔		✔		✔
Dr Edwin Dikoloti	✔		✔	✔	
Mr Quett Rabai	✔			✔	✔
Mr Modisa Kebonyemodisa	✔		✔	✔	
Mr Jacob Van der Westhuisen *	✔		✔		
Mr Duke Masilo	✔	✔			✔

***Retired from the BAMB Board on the 31st October 2018**

BOARD AND COMMITTEE MEETINGS

The Board and its Committees meet at least four times annually as per Section 7(1) of the Act to discuss matters relating to, amongst other things; strategy and performance, financial position, risk management, human resource matters, sustainability and governance. Members contribute to strategy formulation as well as monitoring and measuring the Organisation's performance and its Executive Management.

A summary of meetings and attendance by Directors for the financial year 2018/19 is indicated below;

	Board of Directors Meeting	Finance and Audit Committee Meeting	Human Resources Meeting	Board Tender Committee Meeting	Value Chain Committee Meeting
Dr Gloria Somolekae (Chairperson)	4/4				
Mrs Ruth Mphathi	4/4	4/4		2/2	
Ms Ogone Madisa-Kgwarae	2/4	3/4	3/4		
Ms Zibo Nthobatsang	4/4		3/4		
Dr Edwin Dikoloti	4/4	1/4	3/4	2/2	
Mr Quett Rabai	3/4			0/2	
Mr Modisa Kebonyemodisa	2/4		2/4	1/2	
Mr Jacob Van der Westhuisen *	1/4		1/4		
Mr Duke Masilo	3/4	2/4	1/4		

BAMB BOARD GOVERNANCE AND STRUCTURE (CONT)

The Board delegates certain functions to well - structured Committees without relinquishing its own responsibilities. The Committees constitute an integral part of the governance process and are established with clearly defined formal terms of reference. In order to keep up to date with any recent changes in the law and governance principles, the terms of reference are reviewed and approved annually.

The following are the BAMB Board Committees;

Finance and Audit Committee
The Finance and Audit Committee is chaired by Mrs Ruth Mphathi. The other Committees members are Ms Ogone Madisa-Kgwarae, Mr Duke Masilo and Dr Edwin Dikoloti whose term expired on the 31st March 2019 following a reconstitution of Committees by the Board. Its role is to provide the Board with additional assurance regarding its responsibilities to oversee the financial reporting process, risk management to ensure the transparency and integrity of published financial information, the effectiveness of the organisation's internal financial control and the audit process.

Board Tender Committee
The Board Tender Committee is chaired by Dr Edwin Dikoloti. Its other members are Mrs Ruth Mphathi, Mr Modisa Kebonyemodisa and Mr Quett Rabai. It assists the Board in discharging its duties by ensuring that there are adequate guidelines controls, policies, measures and standards to regulate fair and transparent procurement of goods and services.

Human Resources Committee
The Chairperson of the Human Resources Committee is Ms Ogone Madisa-Kgwarae. Other members are Ms Zibo Nthobatsang, Dr Edwin Dikoloti, Mr Duke Masilo, Mr Modisa Kebonyemodisa and Mr Jacob Van de Westhuisen (the last two Members retired from the Committee on the 18th September and 31st October 2018 respectively). The Human Resources Committee assists the Board of Directors in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and policies including incentive policies.

Value Chain Committee
The Chairperson of the Value Chain Committee is Mr Quett Rabai. Its other members are Mr Duke Masilo and Ms Zibo Nthobatsang. The role of the Value Chain Committee is to provide oversight on the implementation and monitoring of projects and other initiatives that add value to the organisation.

Board of Directors' Declaration of Interest
The Board members declare their interest at every Board and Committee meeting in relation to matters placed before them for deliberation and decision making in accordance with Section 8 of the Botswana Agricultural Marketing Board Act.

Compliance with King III
Although the King III Code is not mandatory for Botswana organisations, BAMB has assessed its governance structure against the principles of this code and is proud to be compliant in substantially all areas. A summary of this evaluation based on the King III index application register is presented below. Continued efforts and emphasis will be placed on moving towards full compliance in the next and subsequent reporting periods.
Key:

Full Compliance	✓
Partial Compliance	P
Not Done	X

King III Chapter	King III Principle	2018	Comment
	Chapter 1-Ethical Leadership		
1.1	The Board should provide effective leadership based on ethical foundation.	✓	The Board is governed by a Board Charter which is the framework which has put in place best practices that allows for best ethical leadership.
1.2	The Board should ensure that the company is and seen to be a responsible corporate citizen.	P	While the Board recognises the concept of Corporate Social Responsibility, limitations of financial resources was a constraints in the period under review.
1.3	The Board should ensure that company's ethics are managed effectively.	✓	The Organisation's ethics are managed through the Audit and Risk Committee. The Code of Conduct is to be finalised during the 2019/2020 financial year.
	Chapter 2- Boards and Directors		
2.1	The Board should Act as the focal point for and custodian of corporate governance.	✓	The Organisation is headed by a Board that directs, governs and is in effective control of the Organisation as embedded in the Board Charter. For effective control the Board delegates some of its duties to its Committees which are also governed by Committee charters. The Board meets at least four times a year.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	The Board monitors the implementation of strategy through the Strategy Manager who reports to the Chief Executive Officer and who submits reports at quarterly meetings. The Internal Auditor also reports to the Audit and Risk Committee at all its meetings.
2.3	The Board should provide effective leadership based on an ethical foundation.	✓	The Board is governed by a Board Charter incorporating effective and responsible leadership. The Organisation's ethics are managed through the Audit and Risk Committee. The Code of conduct would be developed during the 2019/2020 financial year.
2.4	The Board should ensure that the company is and seen as to be a responsible citizen.	P	While the Board recognises the concept of Corporate Social Responsibility, limitations of financial resources was a constraint in the period under review.
2.5	The Board should ensure that the Organisation's ethics are managed.	✓	The Organisation's ethics are managed through the Audit and Risk Committee.

BAMB BOARD GOVERNANCE AND STRUCTURE (CONT)

2.6	The Board should ensure that the company has an effective and independent Audit Committee.	✓	The Audit and Risk Committee has been established in terms of the Board Charter and the Committee is governed by a Committee Charter which is reviewed annually. All three members of the Committee are suitably skilled and experienced independent Non - Executive Directors.
2.7	The Board should be responsible for the governance of risk.	✓	The Board governs risk through its Audit & Risk Committee which reports directly to the Board at each meeting of the Board.
2.8	The Board should be responsible for Information and Technology (IT) governance.	✓	The Board has endorsed the IT Policies and Procedures and an IT Strategy is in the process of being developed. Quarterly progress reports are submitted to the Audit and Risk Committee at all its meetings.
2.9	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding codes and standards.	✓	The Organisation complies with applicable laws and non – binding rules. The Board Secretary certifies that such rules are adhered to. The Organisation also seeks professional legal advice from time to time as and when required.
2.10	The Board should ensure that there is an effective risk-based internal audit.	✓	The Audit & Risk Committee plays a key role in ensuring that the BAMB's Internal Audit function has the necessary resources, budget standing and authority within the Organisation to enable it to discharge its functions. The Head, Internal Audit reports directly to the Audit & Risk Committee.
2.11	The Board should appreciate that stakeholders' perception affect the company's reputation.	✓	The Board, through the Commercial and Business Development Department monitors legitimate stakeholder interests and expectations, relevant to the BAMB's strategic objectives and long-term sustainability.
2.12	The Board should ensure the integrity of the company's integrated reporting.	X	The first integrated report would be produced in 2020/2021
2.13	The Board should report on the effectiveness of the company's internal controls.	✓	The Board is accountable for risk management and the system of internal control and issues annual disclosures that an adequate system of internal control is in place to mitigate the significant risks faced by the organisation.
2.14	The Board and its Executive Management should act in the best interest of the company.	✓	The Directors make decisions giving due regard to their fiduciary duties and as such act with an independence of mind. The Directors also declare their direct and indirect interests at each Board meeting and the Board Secretary maintains a register of Director's interests.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is distressed	P	The organisation only has Disaster recovery at IT division and is yet to have a fully fleshed coordinated BCM.

2.16	The Board should elect a Chairman of the Board who is an independent non-executive director. The CEO should not also fill the role of Chairman of the Board.	✓	The Chairperson of the Board is appointed by the Minister of Agricultural Development and Food Security in accordance with the Act and She is an independent non-executive. The role of CEO and Chairperson are performed by separate individuals.
2.17	The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority.	✓	The CEO is appointed by the Minister of Agricultural Development and Food Security in accordance with the Act, on the recommendation of the Board. The CEO is given certain decision-making power. Decisions over this threshold are considered by the Board. This ensures effective and timely decision – making.
2.18	The Board should comprise a balance of power, with majority of non-executive directors. The majority of non-executive directors should be independent.	✓	The Board of Directors is wholly non-executive and independent.
2.19	Directors should be appointed through a formal process.	✓	The Directors are appointed in accordance with the BAMB Act.
2.20	The induction of and on-going training and development of Directors should be conducted through a formal process.	✓	Induction and training of Directors is done through a formal process on an ongoing basis.
2.21	The Board should be assisted by a competent, suitably qualified and experienced Board Secretary.	✓	The Board Secretary is appointed by the Board in accordance with the Board Charter. The Board Secretary is an attorney and has the requisite experience for the job as required by Section 162 of the Companies Act.
2.22	The evaluation of the Board its Committee and the individual Directors should be performed every year.	X	The first evaluation of the Board is scheduled for April 2020.
2.23	The Board should delegate certain functions to well-structured Committees but without abducting its own responsibilities.	✓	The Board has well developed Committees which have been established with clear reporting procedures. The Committee Charters are reviewed annually.
2.24	A governance framework should be agreed between the group and its subsidiary boards.	X	This principle is not applicable.
2.25	Organisations should remunerate directors and executives fairly and responsibly.	✓	Director's remuneration is paid in accordance with the recommendations made by the Ministry of Finance and Economic Development of 2012. The Executives' remuneration is determined by the Board.
2.26	Companies should disclose the remuneration of each individual director and prescribed officer.	✓	This has been disclosed under the remuneration section.
2.27	Shareholders should approve the company's remuneration policy.	✓	The remuneration Policy is approved by the Board of Directors in accordance with the Board Charter.

BAMB BOARD GOVERNANCE AND STRUCTURE (CONT)

	Chapter 3- Audit Committee		
3.1	The Board should ensure that the company has an effective and independent audit committee.	✓	The Board has an Independent and effective Audit Committee in place. All members of the Committee are suitably qualified and experienced independent Non - Executive Directors. The Committee meets at least four times in a year and reports to the Board at its quarterly meetings.
3.2	Audit Committee members should be suitably skilled and experienced independent non-executive directors.	✓	All members of the Audit and Risk Committee are suitably qualified and experienced independent Non - Executive Directors. The composition of the Committee is evaluated periodically by the Board.
3.3	The Audit Committee should be chaired by an independent non-executive director.	✓	The Finance and Audit Committee is chaired by an independent non-executive director.
3.4	The Audit Committee should oversee integrated reporting.	✓	The first integrated report is to be produced in 2020/2021 and the Audit Committee will be overseeing same.
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	✓	The reports of the Internal Audit as conducted by the Internal Audit Department and the External Auditors, respectively are both presented to the Finance and Audit Committee.
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Organisation's finance function.	✓	The finance functions consist of suitably qualified individuals, headed by the Head.
3.7	The Audit Committee should be responsible for overseeing of internal audit.	✓	The Audit and Risk Committee approves the annual internal audit plan. The Head, Internal Audit report to the Committee at all its meetings.
3.8	The Audit Committee should be an integral component of the risk management.	✓	The Board has assigned oversight of BAMB's risk management function to a well - established Audit & Risk Committee.
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	✓	The Audit Committee recommends the appointment and re-appointment of the external auditor to the Board and oversees the external audit process.
3.10	The Audit Committee should report to the Board and Shareholders on how it has discharged its duties.	✓	The Chairperson of the Audit & Risk Committee reports to the Board at all its meetings.
	Chapter 4- Governance of Risk		
4.1	The Board should be responsible for the Governance of risk.	✓	The Audit & Risk Committee acts in accordance with its delegated authority of the Board in terms of governance of risk. The Audit & Risk Committee is an integral component of the risk management process and oversees the development of policies.
4.2	The Board should determine the levels of risk tolerance.	P	The Board shall determine the level of risk tolerance according to the Enterprise Risk Framework after finalisation and approval of the framework.
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	✓	The Board is assisted by an independent and effective Audit & Risk Committee in carrying out its risk responsibilities. The Chairperson of the Committee reports to the Board at all its meetings.
4.4	The Board should delegate to Management the responsibility to design, implement and monitor the risk management plan.	✓	The design and implementation of the risk management plan is the responsibility of Management. The Audit Committee provides the necessary oversight.
4.5	The Board should ensure that the risk assessments are performed on a continual basis.	✓	Regular risk assessments are undertaken where both the strategic and operational risk registers are on quarterly basis reviewed and revised.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risk.	P	A formal ERM framework which relies on IS031000 and COSO framework has been developed and presented to the Board.
4.7	The Board should ensure that Management considers and implements appropriate risk responses.	✓	Quarterly progress made in the implementation of the mitigation measures is presented to the Board as facilitated by Internal Audit department.
4.8	The Board should ensure continual risk monitoring by Management.	P	Quarterly risk reports with significant risks are presented to Audit and Risk Committee and the Board.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	P	Based on a lower risk management maturity level, the Internal Audit department currently facilitates risk management process. An independent service provider will be considered to provide assurance on risk management process.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant and accurate and accessible risk disclosure to stakeholders.	X	Proper risk disclosures will be implemented in the 2020/2021 annual report.
	Chapter 5- Governance of Information and Technology		
5.1	The Board should be responsible for the information and technology governance.	✓	The Board delegated the oversight of the Information and Technology to the Audit Committee which provides updates at all Board meetings.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	✓	The Board recognises IT as an enabler to achieving the mandate of the Organisation and IT plans are in alignment with the overall Strategy of BAMB.
5.3	The Board should delegate to Management the responsibility for the implementation of an IT governance framework.	P	The organisation would have the IT framework in 2020/2021, it is part of the IT Strategy formulation project.
5.4	The Board should monitor and evaluate significant IT investment and expenditure.	✓	Based on the Procurement Policy approved by the Board, all significant IT expenditure is evaluated by the Board Committees and ultimately the Board depending on the value of the investment.

BAMB BOARD GOVERNANCE AND STRUCTURE (CONT)

5.5	IT should form an integral part of the company's risk management.	✓	IT is an integral part of the BAMB's risk management.
5.6	The Board should ensure that IT assets are managed effectively.	✓	The Board ensures that processes are in place to ensure information assets are effectively managed.
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	✓	IT reports are presented at the Audit Committee to ensure that any IT risk is appropriately managed.
	Chapter 6: Compliance with Laws, Rules, Codes and Standards		
6.1	The Board should ensure that the Organisation complies with applicable laws and considers adherence to non-binding codes and standards.	✓	The organisation complies with applicable laws and non-binding rules. The Board Secretary certifies that such rules are adhered to.
6.2	The Board and each individual Director should have a working understanding of the effect of applicable laws, rules, codes and standards on the Organisation and its business.	✓	Any changes in laws and rules which affect the Organisation are included in the Board's agenda as and when applicable.
6.3	Compliance risk should form an integral part of the Organisation's risk management process.	✓	The risk of non - compliance is monitored, assessed and responded to through the organisation's risk management process.
6.4	The Board should delegate to management the implementation of an effective compliance framework.	P	Compliance is monitored, assessed and responded to through BAMB's risk management process. A formal Compliance framework is yet to be developed.
	Chapter 7-Internal Audit		
7.1	The Board should ensure that there is an effective risk based internal audit.	✓	An Internal Audit function is in place and is expanding with the growth of the organisation.
7.2	Internal Audit should follow a risk-based approach to its plan.	✓	Internal Audit follows a risk-based approach in its annual audit planning which is considered and approved by the Audit and Risk Committee
7.3	Internal Audit should provide a written assessment of the effectiveness of the Organisation's system of internal control and risk management.	P	Opninion on the effectiveness of the Internal Control environment is reported on quarterly basis based on each report being presented to Audit and Risk Committee. Written assessment of internal controls will be issued to the Audit and Risk Committee from March 2020 in accordance with an agreed timetable.
7.4	The Audit Committee should be responsible for overseeing internal audit.	✓	The Audit and Risk Committee is responsible for overseeing of Internal Audit; the Committee approves the audit plan and receives quarterly reports from Internal Audit.
7.5	Internal Audit should be strategically positioned to achieve its objectives.	✓	As approved in the Internal Audit Charter, BAMB has an effective Internal Audit function which reports functionally to the Audit & Risk Committee and administratively to the office of the CEO, and has the respect and cooperation of both the Board and Management.
	Chapter 8-Governing of Stakeholder Relationships		
8.1	The Board should appreciate that stakeholders' perceptions affect the company's reputation.	✓	The Board monitors legitimate stakeholder interests and expectations, relevant to the organisation's strategic objectives and long - term sustainability.
8.2	The Board should delegate to Management to proactively deal with stakeholder relationships.	✓	Stakeholder relationship management is the primary responsibility of the CEO.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interest of the Organisation.	✓	The Board strives to achieve an appropriate balance between the interests of various stakeholders in its decision making.
8.4	Companies should ensure the equitable treatment of shareholders.	✓	BAMB has a cordial relationship with the Government of Botswana through the Ministry of Agricultural Development and Food Security.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	✓	The organisation produces an Annual Report within reasonable timelines. The organisation ensures that information to stakeholders is sent timeously and that it is clear and comprehensive.
	Chapter 9-Intergrated Reporting and Disclosure		
9.1	The Board should ensure the integrity of the Organisation's integrated report.	X	The first integrated report will be produced in 2020/2021 financial year.
9.2	Sustainability reporting and disclosure should be integrated with the Organisation's financial reporting.	X	The first integrated report will be produced in 2020/2021 financial year.
9.3	Sustainability reporting and disclosure should be independently assured.	X	The first integrated report will be produced in 2020/2021 financial year.

BAMB BOARD GOVERNANCE AND STRUCTURE (CONT)

INTERNAL AUDIT

Botswana Agricultural Marketing Board has a separate Internal Audit Department from operational management. The primary role of the Internal Audit function is to assure the Board, through the Finance and Audit Committee, that the systems of internal controls are functioning as intended. The department provides independent, objective assurance and consulting services that add value and improve the Board's operations. Internal Audit helps the organisation to accomplish its objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control, risk management and governance processes.

To ensure the independence of the Internal Audit department, its personnel report to the Head of Internal Audit, who reports functionally to the Finance and Audit Committee (FAC), and administratively to the Chief Executive Officer (CEO). In accordance with the approved FAC Charter, Finance and Audit Committee approves the appointment and dismissal of the Head of Internal Audit.

The annual risk based operational internal audit plan is also approved and monitored by FAC.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Statement on Risk Management and Internal Control of the Botswana Agricultural Marketing Board is made voluntarily by the Board in line with its objective of leading by example in championing sound governance, risk management and internal control practices.

Responsibilities of the Board
The Board acknowledges its overall responsibility for the systems of internal controls in the organisation and as well as reviewing the adequacy, integrity and effectiveness of these systems. In doing so, the Board has carried out an ERM maturity assessment which has been used to craft the ERM strategy. ERM framework which enables the identification of risks that are prevalent has also been endorsed. By embedding the risk management aspect in all the business activities via identifying principal risks and ensure implementation of appropriate control measures to manage the risk, the Board anticipates that a reasonable level of assurance can be achieved.

The Board is committed to maintain a sound internal control system for the organisation and review the adequacy and integrity of the system that includes the management of information system, compliance with laws, regulations, rules, directives and guidelines.

The review of the risk management and internal control reports and processes is delegated by the Board to the Audit Committee.

Management's responsibilities
The implementation of the risk management process for the organisation is the responsibility of the Chief Executive Officer and the respective Heads of Business/Operations within the organisation. The respective business and operations unit heads are required to evaluate the controls to ascertain their effectiveness and efficiency on a periodic basis. The Finance and Audit Committee reviews internal control matters and highlights significant issues to the Board.

Botswana Agricultural Marketing Board

AUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

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GENERAL INFORMATION

Country of Incorporation and Domicile	Botswana
Nature of business and principal activities	The Board is a parastatal organisation established under an Act of Parliament (CAP 74:06, Act 2 of 1974) to market grain and agricultural produce in Botswana.
Members of the Board	Dr Gloria Somolekae (Chairperson) Ms Ruth Mphathi (Deputy Chairperson) (Term ended 31st March and re-appointed 1st July 2019) Dr Edwin Dikoloti (Term ended 31st March 2019) Mr Modisa Kebonyemodisa Ms Zibo Nthobatsang Mr Quett Rabai Ms Ogone Madisa-Kgwarae Col. Duke Masilo Mr Devin Wheeler (Appointed 1st July 2019) Mr Thabang Botshoma (Appointed 1st July 2019)
Company Secretary	Mrs Onkemetse Thomas
Registered Office	Plot 130, Unit 3 & 4 Nkwe Square Gaborone International Finance Park Gaborone, Botswana
Postal address	Private Bag 0053 Gaborone, Botswana
Auditor	Ernst & Young 2nd Floor, Plot 22 Khama Crescent Gaborone
Bankers	Standard Chartered Bank of Botswana Limited Barclays Bank of Botswana Limited First National Bank of Botswana Limited
Company registration number	687900
Measurement and Presentation Currency	Botswana Pula

THE BOARD'S RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

Against this background Board accepts responsibility for the Annual Financial Statements on pages 36 to 95, which were signed on its behalf by;

Dr Gloria Somolekae **Board Chairman** Date of Approval 31/10/2019	Ms Ruth Mphathi **Board Deputy Chairman** Date of Approval 31/10/2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BOTSWANA AGRICULTURAL MARKETING BOARD

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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Botswana Agricultural Marketing Board (the Board) set out on pages 38 to 97, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements. including a summary of significant accounting policies. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Botswana Agricultural Marketing Board as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Agricultural Marketing Board Act (Cap 74:06).

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT cont.

TO THE MEMBERS OF BOTSWANA AGRICULTURAL MARKETING BOARD

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Key Audit Matter	**How the matter was addressed in the audit**
Impairment of trade and other receivables As at 31 March 2019, the Board recognised net trade and other receivables of P69,533,517, net of loss allowances of P95,696,763. The Board adopted IFRS 9 - Financial Instruments to measure the allowance for impairment of trade and other receivables for the first time in the 2019 reporting period. The introduction of the impairment requirements of IFRS 9 require impairment allowances to be considered on an expected credit loss basis as opposed to the incurred credit basis previously adopted by the Board. This change in accounting policy required the Board to develop an impairment model to calculate Expected Credit Losses (ECLs) and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the trade and other receivables. The Board applies the simplified approach and recognises lifetime ECLs for trade and other receivable balances. In determining the ECLs, key judgements were applied by the Board in selecting and applying an appropriate model and in determining the credit losses which are expected to be incurred upon final write-off of the amounts. Expected loss rates are based on the payment profile of trade and other receivables over the past 24 months before 31 March 2019 as well as corresponding credit losses during the period. These rates are then adjusted to reflect the current and future macroeconomic factors affecting the customers' ability to pay the outstanding amounts. The allowance for ECLs on trade receivables and other receivables was considered to be of most significance to the current year audit due to the first· time adoption of the IFRS 9 requirements through application of the ECL modelling technique. Disclosures with respect to trade and other receivables are disclosed in; • The summary of significant accounting policies • Note 5 "Trade and other receivables" • Note 26 "Risk management"	Our audit procedures included the following: • We obtained an understanding of management's processes over credit origination, credit monitoring and credit remediation; • We assessed the appropriateness of the accounting policies and impairment methodologies applied by comparing these to the requirements of IFRS 9: Financial Instruments; • We critically assessed the ECL models developed by management including the assessment of key judgements and assumptions applied in the calculation of allowances for impairment; • We tested the mathematical accuracy of the models used by management; • We assessed the reasonableness of forward· looking information incorporated into the credit loss calculations considering the multiple economic scenarios selected and the weighting applied to each scenario; • We challenged the parameters and significant assumptions applied in the calculation models; • We also assessed the adequacy of the disclosures regarding the allowance for impairment of trade and other receivables in the financial statements to determine whether they were in accordance with IFRS;

INDEPENDENT AUDITOR'S REPORT cont.

TO THE MEMBERS OF BOTSWANA AGRICULTURAL MARKETING BOARD

Other Information
The Members of the Board are responsible for the other information. The other information comprises the General Information and the Board's Responsibility and Approval of Annual Financial Statements, which we obtained prior to the date of this report and the Annual Report which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

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

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

In preparing the financial statements, the Members of the Board are responsible for assessing the Botswana Agricultural Marketing Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members of the Board either intend to liquidate the Botswana Agricultural Marketing Board or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Botswana Agricultural Marketing Board's financial reporting processes.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

INDEPENDENT AUDITOR'S REPORT cont.

TO THE MEMBERS OF BOTSWANA AGRICULTURAL MARKETING BOARD

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Botswana Agricultural Marketing Board's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Members of the Board;

- Conclude on the appropriateness of the Members of the Board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Botswana Agricultural Marketing Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Botswana Agricultural Marketing Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with the Members of the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Ernst & Young
Practising Member: Thomas Chitambo Partner
Membership Number: 20030022 Certified Auditor
Gaborone
6/1/20

STATEMENT OF FINANCIAL POSITION

	NOTES	AS AT 31 MARCH 2019 PULA	2018 PULA
ASSETS			
Non current assets			
Property, plant and equipment	2.1	81,074,147	87,223,837
Work in Progress	2.3	325,612	-
Investment property	2.2	22,800,000	23,265,000
		104,199,759	110,488,837
Current assets			
Inventories	4	107,142,115	159,056,607
Trade and other receivables	5	69,533,517	186,401,446
Cash and cash equivalents	6	579,512	10,946,824
		177,255,144	356,404,877
TOTAL ASSETS		281,454,903	466,893,714
EQUITY AND LIABILITIES			
Equity			
Government equity	7.1	27,455,061	27,455,061
Revaluation Reserve	7.2	73,287,275	75,158,002
Stabilization Fund	7.3	9,017,668	9,017,668
Development Fund	7.4	1,000,000	1,000,000
Retained earnings		(62,006,849)	5,562,956
Total equity		48,753,154	118,193,687
Current liabilities			
Bank Loan	8	41,200,000	142,250,882
Bank overdraft	11.2	124,722,793	136,284,770
Trade and other payables	11	48,728,200	58,600,456
Tax payable	11.1	2,099,219	3,335,972
Deferred income	9	7,164,700	7,164,700
Provisions	12	8,563,247	1,063,247
Deferred Lease liability	17.1	223,589	145,768
		232,701,749	348,700,027
TOTAL LIABILITIES		**232,701,749**	**348,700,027**
TOTAL EQUITY AND LIABILITIES		**281,454,903**	**466,893,714**

STATEMENT OF COMPREHENSIVE INCOME

	NOTES	YEAR ENDED 31 MARCH 2019 PULA	2018 PULA
Revenue from contract with customers	14	328,570,225	285,968,581
Costs of sales	15	(273,957,806)	(268,880,993)
Gross Profit		**54,612,419**	**17,087,588**
Other income	16	42,790,419	14,174,553
Operating expenses	17	(81,092,440)	(79,094,449)
Reversals of impairment losses	5	70,346,290	-
Operating profit / (loss)		**86,656,687**	**(47,832,308)**
Finance income	19	174,331	231,278
Finance costs	20	(16,063,250)	(16,267,708)
Profit / (Loss) for the year before tax		**70,767,769**	**(63,868,738)**
Income tax expense	23	-	-
Profit / (Loss) for the year		**70,767,768**	**(63,868,738)**
Other comprehensive income:			
Gains and losses on property revaluation	2.1	-	(1,166,087)
Tax effect on revaluations	2.1	-	328,896
Other comprehensive income / (loss) for the year		**-**	**(1,494,983)**
Total Comprehensive income		**70,767,769**	**(65,363,721)**

STATEMENT OF CHANGES IN EQUITY

	Notes	Government Equity	Revaluation Reserve	Stabilisation Fund	Development Fund	Acumulated Funds	Total Equity
As at 01 April 2018	7	27,455,061	75,158,002	9,017,668	1,000,000	5,562,956	118,193,687
IFRS 9 adoption adjustments	5	-	-	-	-	(140,208,302)	(140,208,302)
Balance at 1 April 2018 as restated		**27,455,061**	**75,158,002**	**9,017,668**	**1,000,000**	**(134,645,346)**	**(22,014,615)**
Profit for the period		-	-	-	-	70,767,769	70,767,769
Total comprehensive income		-	-	-	-	70,767,769	70,767,769
Depreciation transfer	7	-	(1,870,728)	-	-	1,870,728	-
As at 31 March 2019		**27,455,061**	**73,287,275**	**9,017,668**	**1,000,000**	**(62,006,849)**	**48,753,154**
As at 01 April 2017	7	27,455,061	78,281,117	9,017,668	1,000,000	67,803,562	183,557,408
Loss for the period		-	-	-	-	(64,197,634)	(64,197,634)
Revaluation	2.1	-	(1,166,087)	-	-	-	(1,166,087)
Total comprehensive income		-	-	-	-	(64,197,634)	(64,197,634)
Depreciation transfer	7	-	(1,957,028)	-	-	1,957,028	-
As at 31 March 2018		27,455,061	75,158,002	9,017,668	1,000,000	5,562,956	118,193,687

STATEMENT OF CASH FLOWS

	NOTES	YEAR ENDED 31 MARCH 2019 PULA	2018 PULA
Cash flows from operating activities			
Profit / (Loss) for the year		70,767,768	(63,868,738)
Adjustments for:			
Depreciation	2	8,655,012	7,981,632
Deferred income utilised during the year	9	-	(6,219,593)
Increase in Provision for probable losses	12	7,500,000	-
Unrealised exchange differences		(1,642,561)	-
Profit on sale of motor vehicle		-	(164,463)
Net effect of straight-line rental	17.1	223,589	-
Finance income	19	(174,331)	(231,278)
Finance costs	20	16,063,250	16,267,708
Loss/ (gain) on revaluation investment property	2.2	465,000	(2,165,000)
Changes in working capital:			
Decrease in inventories		51,914,492	4,363,574
Decrease /(Increase) in trade and other receivables		(23,340,373)	(29,581,704)
Decrease in trade and other payables		(8,229,695)	(17,017,151)
Cash generated from(used in) operations		122,202,153	(90,635,013)
Interest received	19	174,331	231,278
Interest paid	20	(16,063,250)	(16,267,708)
Tax paid		(1,236,752)	-
Net cash used in / (from) operating activities		105,076,482	(106,671,443)
Cash flows from investing activities			
Purchase of property, plant and equipment	2.1	(2,505,323)	(9,105,874)
Work in progress	2.3	(325,612)	-
Net cash used in / (from) investing activities		(2,830,935)	(9,105,874)
Cash flows from financing activities			
Cash received from borrowings		-	177,538,736
Loan repayments		(101,050,882)	(113,708,806)
Net cash flows used in financing activities		(101,050,882)	63,829,930
Net increase in cash and cash equivalents		1,194,664	(51,947,387)
Cash and cash equivalents at beginning of year		(125,337,944)	(73,390,557)
Cash and cash equivalents at end of the year		(124,143,281)	(125,337,944)

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, 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 have been consistent applied,unless otherwise stated.

The annual financial statements of the Strategic Grain Reserve are disclosed seperately and not consolidated into Botswana Agricultural Marketing Board due to the reasons below;

The Board does not have control over the Reserve as demonstrated in the signed Principal Agency agreement in clause 4; Clause 4 (Ownership) which states that the Government of Botswana appointed the Board as its sole agent to purchase, manage and preserve in good quality in the Reserve at all times. It further states that The Permanent Secretary in the Ministry of Agriculture is the appointed Principal who can terminate the contract after prior consultation with other stakeholders and having given the Board six (6) month notice. Additionally, the Board has no financial investments in the Reserve, and the Government of Botswana through the Ministry of Agriculture owns the strategic grain reserves. The Board`s management runs and manages the Reserve on behalf of the Ministry of Agriculture and receives management fees. As per the Agency Agreement Clause 12, the administration fees charged at a rate of 10% of the total storage rental charged for physical Strategic Grain Reserve stocks held will cover the audit fees, insurance and contingencies. The Board`s Management does not possess power through voting rights or embedded in the contractual agreement. For its involvement in the affairs of the Reserve the Board is not exposed to or receives any variable returns, rather it receives monthly management fees.

Both the Reserve and the Board have common employees, as the Board has been appointed as the agent to manage the Reserve. Therefore, the Board has no control over the Reserve, nor is it its parent entity, control lies with the Government of Botswana as such the Board and the Reserve issue separate financial statements as the relationship does not meet the requirements of IFRS 10 (Consolidated Financial Statements).

1.2 Significant judgements and sources of estimation uncertainty

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.2 Significant judgements and sources of estimation uncertainty (Continued)

1.2.1 Trade receivables

Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as: Choosing appropriate models and assumptions for the measurement of ECL;
Establishing groups of similar financial assets for the purposes of measuring ECL.

1.2.2 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 cost of sales note. This is decided by the disposal committee, based on expected cost to be realised, the quality of goods and the expiry date of the product.

1.2.3 Revenue from Contracts with Customers
Contracts with customers often include promises to deliver multiple services. Determining whether such bundled services are considered i) distinct performance obligations that should be separately recognized, or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.2 Significant judgements and sources of estimation uncertainty (Continued)

1.2.5 Provisions

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

1.2.6 Revaluation of property, plant and equipment

The Board measures property plant and equipment at revalued amounts with changes in fair value being recognised in OCI. The Board engaged an independent valuation specialist to revalue land and buildings in 2018. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. Motor vehicles and equipment are also carried at revalued amounts, determined by expert valuers in the motor industry, while for furniture and office equipment this is done using management assumptions upon considering factors such as the useful life of the asset and its current working condition. This valuation is done periodically (2 - 3 years).

1.2.7 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.

1.2.8 Investment property

Management considered property currently leased to third parties as investment property. The Board has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Fair value of investment properties was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of revaluation 31 March 2019, the properties' fair values are based on valuations performed by, an accredited independent local valuer.

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

1.2.9 Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.3. Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
it is probable that future economic benefits associated with the item will flow to the Board; and the cost of the item can be measured reliably.
Property, plant and equipment is initially measured at cost.
Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. Repairs and maintenance costs are not included in the carrying amount of the asset, the Board recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost incurred meet the recognition criteria stated above. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Item	Average useful life
Land & Buildings	40 years
Furniture & Fixtures	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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.3. Property, plant and equipment (Continued)

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.

1.4. Financial instruments (Applicable for periods before to 1 April 2018)

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.

1.4.1 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.

1.4.2 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.

1.4.3 Loans to employees

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.4. Financial instruments (Applicable for periods before to 1 April 2018) (Continued)

1.4.4 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.

1.4.5 Trade and other payables

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

1.4.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently measured at amortised cost. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short term deposits net of outstanding bank overdrafts as they are considered an integral part of the Board's cash management.

1.4.7 Bank overdraft and borrowings

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.4. Financial instruments (Applicable for periods before to 1 April 2018) (Continued)

1.4.8 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.

1.4.9 Derecognition

The Board derecognises financial assets;

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.4. Financial instruments (Applicable for periods before to 1 April 2018) (Continued)

1.4.9 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.

1.4.10 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.

1.4.11 Financial assets and liabilities (Applicable for periods after to 1 April 2018)

1.4.11.1 Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. When the Board revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.4. Financial instruments (Applicable for periods before to 1 April 2018) (Continued)

1.4.11.2 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and recognised on an accrual basis.

1.4.11.3 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Board measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in profit or loss when an asset is newly originated. When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Board recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

1.4.11.4 Financial assets

Classification and subsequent measurement

From 1 April 2018, the Board has applied IFRS 9 and classifies its financial assets as amortised cost.

The classification requirements for debt measured at amortised cost are described below:

1.4.11.5 Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- the Board's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Board classifies its debt instruments as amortised cost as follows:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.4. Financial instruments (Applicable for periods before to 1 April 2018) (Continued)

1.4.11.6 Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the simplified expected loss model. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Business model: the business model reflects how the Board manages the assets in order to generate cash flows. That is, whether the Board's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Board in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Board as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Board assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Board considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The Board reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

1.4.11.7 Cash and Cash Equivalent

Cash and cash equivalent comprise cash on hand, demand deposits and short-term, highly liquid investments readily convertible to cash and subject to insignificant risk of loss of value. Cash and cash equivalent are measured at amortised cost.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.4. Financial instruments (Applicable for periods before to 1 April 2018) (Continued)

1.4.11.8 Impairment of financial assets

The Board recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost which include lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Board considers debt that is 90 days past due to be in default consistent with the presumption on the basis for conclusion as stated in IFRS 9.

The Board always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using simplified ECL model based on the provision matrix. The ECL model takes into account the Board's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

1.4.11.9 Derecognition of financial assets

The Board derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Board neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Board recognises its retained interest in the asset and an associated liability for amounts it may have to pay. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

1.4.11.10 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

1.4.11.11 Derecognition of financial liabilities

The Board derecognises financial liabilities when, and only when, the Board's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.5 Taxation

Under the amended Income Tax Act 14 of 2015 Botswana Agricultural Marketing Board is required to pay Income Tax. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current taxation is the expected taxation payable on the taxable income for the year using taxation rates enacted or substantively enacted at the reporting date after taking account of income and expenditure which is not subject to taxation and any adjustment to taxation for previous years. Taxation is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related taxation is also recognised in other comprehensive income or equity.

1.5.1 Deferred taxation

Deferred taxation is provided for on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation base. The amount of deferred taxation provided is based on the base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date.

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Taxable temporary differences arising on the initial recognition of goodwill.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused taxation losses and deed deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

1.6 Leases

1.6.1 Classification of 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.6 Leases (Continued)

1.6.2 Operating leases - lessor

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

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

1.6.3 Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.7 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.

1.8 Impairment of non-financial assets

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.8 Impairment of non-financial assets (continued)

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

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

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

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

1.9 Government equity

Government equity comprises of equity capital and recallable 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. Recallable capital is recorded as the proceeds received. This comprises contributions by the Government of Botswana. There is no requirement to repay this capital.

1.10 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.

1.10.1 Government grants related to assets

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.10 Government grants/deferred income (continued)

1.10.2 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).

1.11 Employee benefits

1.11.1 Short-term employee benefits

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

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

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

1.11.2 Defined contribution plan

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.12 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 require 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.

1.13 Revenue (Applicable for periods prior to 1 April 2018)

Revenue is recognised when it is probable that future economic benefits will flow to the entity and those benefits can be measured reliably. The Board is mandated to provide a market for scheduled produce of crops such as cereals, pulses and oilseeds and to ensure that adequate supplies exist for sale to customers at affordable prices. The Board sets purchase and selling prices for produce. The Board also manages the Strategic Grain Reserve on behalf of Botswana Government and charges Government management fees.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.13 Revenue (Applicable for periods prior to 1 April 2018) (Continued)

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

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

IFRS 15: Revenue from Contracts with Customers (Applicable for periods after to 1 April 2018)

The Board is mandated to provide a market for scheduled produce of crops such as cereals, pulses and oilseeds and to ensure that adequate supplies exist for sale to customers at affordable prices. The Board sets purchase and selling prices for produce. The Board also manages the Strategic Grain Reserve on behalf of Botswana Government and charges Government management fees.
The Board sells scheduled produce on a daily basis i.e. sugar beans, sorghum, sunflower etc. The performance obligation for the sale of goods is considered to be discharged at a specific point in time.
Service fees including management fees from the Strategic Grain Reserve , if any are recognised as revenue over the period during which the service is performed. The Board derives management fees from managing the reserves of the Strategic Grain Reserve. The performance obligation for the management services rendered to the Government is considered to be discharged at a specific point in time.
Revenue is measured based on the consideration to which the Board expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue recognition follows a five step model framework as follows:
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

1.14 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.14 Cost of sales (Continued)

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.

1.15 Investment property

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

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

1.16 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.16 Foreign currency transactions (Continued)

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

1.17 Standards issued during the year

There are a number of standards that became effective during the year

Standards issues and effective in the current year
Below is a list of new standards, amendments to existing standards and interpretations that mandatorily came into effect for the year ended 31 March 2019.

The Board has adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of 1 April 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Board did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of the standard, the Board elected not to restate comparative figures. The comparative period notes disclosures repeat those of disclosures made in the prior period. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings. The Board does not hedge its financial risks and therefore hedge accounting is not relevant. The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. Set out below are disclosures relating to the impact of adoption of IFRS 9 on the Board.

(a) Classification and measurement of financial instruments

There were no changes to the classification and measurement of financial liabilities. The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 April 2018 are compared as follows:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.17 Standards issued during the year (Continued)

	IAS 39		IFRS 9	
Financial Assets	**Measurement Category**	**Carrying Amount**	**Measurement Category**	**Carrying Amount**
Cash & cash equivalent	Amortised cost (Loan and receivables)	10,946,824	Amortised cost	10,946,824
Trade & other receivables	Amortised cost (Loan and receivables)	183,507,836	Amortised cost	43,299,534
TOTAL		**194,454,660**		**54,246,358**

(b) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 April 2018:

Impairment loss	**Amounts**
At 1 April 2018 – calculated under IAS 39	25,834,751
Amounts restated through opening retained earnings – Transitional IFRS 9 Adjustment	140,208,302
Opening loss allowance as at 1 April 2018 – calculated under IFRS 9	**166,043,053**

(c) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Board performed an analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 April 2018:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.18 New and amended standards and interpretations (Continued)

Financial Asset	Ref	IAS 39 carrying Amount 31 March 2018	Reclassifications	Remeasurements	IFRS 9 carrying Amount 1 April 2018
Cash & cash equivalent					
Closing balance under IAS 39 and opening balance under IFRS 9	A	10,946,824	-	-	10,946,824
Trade and other receivables	B				
Closing balance under IAS 39		183,507,836	-	-	
Remeasurement: Expected Credit Loss (ECL)					
Opening balance under IFRS 9				-140,208,302	
					43,299,534
TOTAL		**194,454,660**	**-**	**-140,208,302**	**54,246,358**

The following explains how applying the new classification and measurement requirements of IFRS 9 led to changes in classification and measurement of certain financial assets held by the Board as shown in the table above:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.18 New and amended standards and interpretations (Continued)

Area and Potential Impact of IFRS 9: Financial Instruments – Recognition & Measurement [Classification & Measurement impact explained as at 1 April 2018 date of initial application]	Reference
Cash & cash equivalent: These financial asset are classified as loans & receivables and measured at amortised cost under IAS 39. Under IFRS 9, these assets continue to be measured at amortised cost because they satisfy the solely payments of principal and interest (SPPI) and business model test for classification as amortised cost. Cash & cash equivalent are subject to impairment under both IAS 39 and IFRS 9. As at 31 March 2018, the impairment provision under IAS 39 was nil as there was no objective evidence of impairment.	A
The Board has elected to the apply the simplified approach for impairment of cash & cash equivalent because the of lifespan of these assets is less than 12 months. The Board has adopted the provision matrix contained in implementation guidance to IFRS 9 as its impairment methodology.	
Historical default rates on deposits held in banks is nil. The review of relevant forward looking macro-economic factors does not suggest possible defaults on bank deposits and consequently no provision has been raised on adoption of IFRS 9 and at the year end.	
Trade & other receivables: The Board has elected to the apply the simplified approach for impairment of cash & cash equivalent because the of lifespan of these assets is less than 12 months. The Board has adopted the provision matrix contained in implementation guidance to IFRS 9 as its impairment methodology.	B
For purposes of measuring the expected credit loss (ECL), trade receivables have been segmented by customer type to reflect similar credit risk. The impairment allowance has increased by P140,208,302 on 1 April 2018 as result of adopting IFRS 9. The opening retained earnings declined by P140,208,302. The increase reflects a high probability of default on the basis of historical credit risk information across all customer profiles. In the short-term, we do not expect the macro-economic factors such as the GDP to affect expected default rates and consequently all default rates applied in the calculation of expected credit losses are based historical credit risk information.	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.18 New and amended standards and interpretations (Continued)

Standards issued but no impact on BAMB

IAS 12 Income Taxes (effective date is for periods beginning on or after 1 January 2018)

Income tax consequences of payments on financial instrument classified as equity.
IAS 12 Income Taxes requires a company to recognise the tax consequences of dividends in profit or loss in some circumstances. However, it is not clear whether paragraph 52B of IAS 12 applies to all income tax consequences of dividends or only to the circumstances described in paragraph 52A of IAS 12.
Issued in December 2017, the amendments to IAS 12 clarify that a company accounts for all income tax consequences of dividends in the same way, regardless of how the tax arises. This will have minimal impact on BAMB,because as BAMD does not pay any dividend.

IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation (effective date is for periods beginning on or after 1 January 2019)

IAS 23 Borrowing Costs specifies which borrowing costs should be capitalised as part of the cost of a qualifying asset-i.e. an asset that takes a substantial period of time to get ready for its intended use or sale. Issued in December 2017, the amendments clarify that when a qualifying asset is ready for its intended use or sale, a company treats any outstanding borrowing to obtain that qualifying asset as part of general borrowings. The Board is currently assessing the impact of IAS 23 and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers(effective date is for periods beginning on or after 1 January 2018)

Adoption of IFRS 15: Revenue from Contracts with Customers

IFRS 15 replaced the previous revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance has been added to deal with specific scenarios.

The Board has applied IFRS 15 in accordance with the modified retrospective approach as per IFRS 15.C3 (b). Under this transition method, the Board elected to apply this Standard retrospectively only to contracts that are not completed at the date of initial application.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.18 New and amended standards and interpretations (Continued)

The application of IFRS 15 had no impact on the opening balance of retained earnings at 1 April 2018 which is the date of initial application because there is no change in revenue recognition pattern for goods and services that are rendered by the Board. Apart from providing more extensive disclosures on the Board's revenue transactions, the application of IFRS 15 had no significant impact on the financial position and/or financial performance of the Board.

IAS 40 Transfers of Investment Property (Effective for annual periods beginning on or after 1 January 2018)

Amendments clarifies when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of .Management has no intention to change the use of its property. There are other amendments to IFRSs that are not yet effective but are not likely to have any material impact on the Board and have therefore not been included above.

New Standards and Interpretations issued but not yet effective

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Board are as follows:

Board as lessee:

Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis. The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.18 New and amended standards and interpretations (Continued)

The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease. The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model. The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.

Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.

The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.

Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset. Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.18 New and amended standards and interpretations (Continued)

Board as lessor:

Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification. A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope. If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease. Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset. If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new Right-of-Use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16. If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for financial years beginning on or after 01 January 2019. The Board expects to adopt the standard for the first time on 1 April 2019 and the results of the impact assessment are presented below. The impact assessment has been estimated under an interim control environment with processes that continue to undergo validation. The impacts below are point in time estimates and should not be considered to be forecasts.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1.18 New and amended standards and interpretations (Continued)

IFRS 16: Leases – Impact is on lessee accounting only

During the current financial year, the Board 2 building leases and 12 motor vehicle leases. The Board will adopt IFRS 16-Leases on 1 April 2019 using the modified retrospective approach #1 and consider practical expediencies relevant to this transitional approach.

If IFRS 16-Leases was adopted in the current period, the Board would have recognised a lease liability to the tune of P4,563,371 and corresponding Right-of-Use Asset amounting to P4,421,503 as at 31 March 2019. Finance cost would have increased by P133,414 and depreciation expense from the Right-of-Use Assets increased by P984,439 respectively.

Profit for the year would have reduced by P338,812 if the standard was adopted in the current year while equity would have declined by P480,680.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Section 1: New pronouncements issued as at 30 June 2019

Table of mandatory application

			First time applied in annual periods ending on the last day of these months**											
New pronouncement	Page	Effective date*	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
IFRS 16 *Leases*	5	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*	8	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	10	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28	13	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	12	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
AIP IFRS 3 *Business Combinations - Previously held Interests in a joint operation*	15	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
AIP IFRS 11 *Joint Arrangements - Previously held Interests in a joint operation*	15	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
AIP IAS 12 *Income Taxes - Income tax consequences of payments on financial instruments classified as equity*	15	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
AIP IAS 23 Borrowing Costs - *Borrowing costs eligible for capitalisation*	15	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
Definition of a Business - Amendments to IFRS 3	9	1 Jan 2020	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2020
Definition of Material - Amendments to IAS 1 and IAS 8	11	1 Jan 2020	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2020
The Conceptual Framework for Financial Reporting	14	1 Jan 2020	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2020
IFRS 17 *Insurance Contracts*	6	1 Jan 2021	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2021
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	13	Note 1												

AIP: Annual IFRS Improvements Process. *Effective for annual periods beginning on or after this date. ** Assuming that an entity has not early adopted the pronouncement according to specific provisions in the standard, interpretation or amendment.

Note 1: In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

NOTES TO THE FINANCIAL STATEMENTS

	Land and Buildings	Furniture and Fixtures	Motor vehicles	Plant and Machinery	Total Pula
2.1 PROPERTY, PLANT AND EQUIPMENT					
2019					
Cost					
At beginning of year	88,603,602	1,567,926	19,252,311	14,450,708	123,874,547
Additions	786,359	47,816	811,631	859,517	2,505,323
At end of year	89,389,961	1,615,742	20,063,942	15,310,225	126,379,871
Accumulated Depreciation					
At beginning of year	14,700,934	1,138,677	12,720,325	8,090,789	36,650,725
Charge for the year	2,390,787	355,310	3,106,564	2,802,352	8,655,012
At end of year	17,091,721	1,493,987	15,826,889	10,893,140	45,305,737
Carrying amount					
At beginning of year	**73,902,668**	**429,249**	**6,531,986**	**6,359,919**	**87,223,823**
At end of year	**72,298,241**	**121,755**	**4,237,053**	**4,417,085**	**81,074,147**
2018					
Cost					
At beginning of year	89,609,318	1,714,377	12,568,225	14,750,835	118,642,754
Additions	4,408,836	120,017	4,331,187	245,835	9,105,874
Disposals	(2,596,397)	(266,468)	(809,821)	(1,786,412)	(5,459,098)
Reclassification from Investment Property	3,080,000				3,080,000
Revaluation	(5,898,154)	-	3,162,721	1,240,450	(1,494,983)
At end of year	88,603,602	1,567,926	19,252,311	14,450,708	123,874,547
Accumulated Depreciation					
At beginning of year	14,542,612	1,177,635	10,932,484	7,639,924	34,292,656
Charge for the year	3,297,781	227,478	2,220,547	2,235,826	7,981,632
Disposals	(3,139,459)	(266,437)	(432,706)	(1,784,961)	(5,623,563)
At end of year	14,700,934	1,138,677	12,720,325	8,090,789	36,650,725
Carrying amount					
At beginning of year	**75,066,706**	**536,741**	**1,635,740**	**7,110,911**	**84,350,098**
At end of year	**73,902,668**	**429,249**	**6,531,986**	**6,359,919**	**87,223,823**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

2.1 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Land and Buildings	Motor vehicles	Plant and Machinery	Total Pula
2019				
Cost	89,839,961	20,063,942	15,310,225	124,764,129
Accumulated depreciation and impairment	(73,902,668)	(15,826,889)	(10,893,140)	(100,622,698)
Net carrying amount	15,487,293	4,237,053	4,417,085	24,141,430
2018				
Cost	94,501,756	16,089,590	13,210,258	123,801,604
Accumulated depreciation and impairment	(77,238,187)	(12,720,325)	(8,090,789)	(98,049,301)
Net carrying amount	17,263,570	3,369,265	5,119,469	25,752,305

Revaluation of assets during the 2019 financial year

Property,plant and equipment were revalued by the Board effective 31st March 2018 which resulted in a revaluation loss of BWP1.4million.

Property,plant and equipment were not revalued by the Board as at 31 March 2019 but were considered to be effective.

	Note	31 March 2019	31 March 2018
Revaluation Amount		-	(1,494,983)
Tax at 22%		-	(328,896)
Revaluation amount net of tax	7.2	-	(1,166,087)

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

		NOTE	31 MARCH 2019	31 MARCH 2018
2.2	**INVESTMENT PROPERTY**			
	The Board's investment properties consist of commercial properties leased out around the country. Management have opted to value this property at fair value. The fair value is based on the valuation carried by Realreach International Property Consultants who are professional valuers and have been doing the work of property valuation for the last 35 years.			
	The Board has no restrictions on the realisability of its investment properties and no contractual obligation to either sale or develop investment properties or for repairs, maintenance and enhancement.			
	Opening balance at 1 April		23,265,000	24,180,000
	Net gain/ (loss) from fair value adjustment	18	(465,000)	2,165,000
	Transfer from investment to land and buildings	2.1	-	(3,080,000)
	Closing balance		22,800,000	23,265,000
	Plot number 14395 located in Gaborone G-West is held as security in favour of Barclays Bank to the amount of BWP30,000,000.			
	Rental income derived from investment properties	16	1,980,543	1,858,930
	Direct operating expenses (including repairs and maintenance) that did not generate rental income (included in cost of sales)		59,360	76,557
	Profit arising from investment properties carried at fair value		**1,921,183**	**1,782,373**

Description of valuation techniques

	Valuation technique	Significant unobservable input
Commercial properties	Open market approach	Estimated rental value per square metre(sqm) P20 - P50/m2 Growth rate - 8.50%-10% Discount rate - 7% - 9% Vacancy rate - 50%

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

		NOTE	31 MARCH 2019	31 MARCH 2018
2.2	**INVESTMENT PROPERTY (Continued)**			

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

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.
Generally, a change in the assumption made for the estimated rental value is accompanied by:
(a) A directionally similar change in the rent growth per annum and discount rate (and exit yield)
(b) An opposite change in the long term vacancy rate
Investment properties are categorised as level 3 within the fairly value hierarchy.

		NOTE	31 MARCH 2019	31 MARCH 2018
2.3	**WORK IN PROGRESS**			
	Work in progress as at 31st March 2019 was P325,612 (2018:BWP0)			
	Opening balance at 1 April		-	1,388,580
	Transfer from work in progress to land and buildings		-	(1,388,580)
	Increase in work in progress		325,612	-
	Closing balance		325,612	-

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	31 MARCH 2019	31 MARCH 2018

3 FINANCIAL ASSETS BY CATEGORY

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

2019

Financial Assets	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Cash & cash equivalent	Amortised cost (Loan and receivables)	10,946,824	Amortised cost	10,946,824
Trade & other receivables	Amortised cost (Loan and receivables)	183,507,836	Amortised cost	43,299,534
TOTAL		**194,454,660**		**54,246,358**

2018	Loan & receivables	Total
Cash and cash equivalents	10,954,324	10,954,324
Trade and other receivables	183,507,837	183,507,837
		194,462,161

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4 INVENTORIES

	LOAN & RECEIVABLES	TOTAL
Merchandise	126,204,572	174,737,025
Inventory write-downs	(19,062,457)	(15,680,418)
	107,142,115	159,056,607

The Board maintains Strategic Grain Reserves (SGR) on behalf of the government of Botswana. The values of the inventories are excluded from the year end inventory value recorded in the books of the Board. These are separately recorded in the financial records of the Strategic Grain Reserve. The Reserve's inventory balance at reporting date was valued at P102,996,240 (2018:P102,996,240) The inventories held by the Board are sorghum, maize, pulses, fertilizers and seeds. During 2019, BWP273,256,557 (2018: BWP268,880,993) was recognised as an expense for inventories carried at the lower of cost or net realisable value. This is recognised in cost of sales.

Inventory is managed through quarterly fumigation exercises and spraying to contain any infestations that may flare up at any given time . The Board manages its inventory through the FIFO (First In First Out) inventory management method during inventory rotation.

Encumbered assets

Barclays Bank Loan
First covering mortage bond in favour of the bank in the amount of BWP30,000,000 over plot number 14395 in Gaborone and a deed of hypothecation for BWP 150,000,000 over stocks and receivables.

Stanbic Bank Overdraft
Deed of hypothecation for BWP50,000,000 over stocks and receivables registered in favour of the bank.

	Year ended 31 March 2019	Year ended 31 March 2018
Lot 14395 Gaborone	30,400,000	31,450,000
Inventories	107,142,115	159,056,607
Trade and other receivables	69,533,517	186,401,446
Total Encumbered Assets	207,075,631	376,908,053

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

		YEAR ENDED 31 MARCH 31 MARCH 2019	 31 MARCH 2018
5	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	140,294,729	209,342,587
	Subsidy Claim	22,519,341	-
	Provision for doubtful debts	(95,696,763)	(25,834,751)
		67,117,307	183,507,836
	Prepayments	(2,416,209)	2,893,610
	Trade and other receivables	69,533,517	186,401,446
	The trade and other receivables composition is as follows:		
	Government Receivables	91,745,245	144,223,083
	Other receivables	48,549,484	65,119,505
	Trade and other receivables	140,294,729	209,342,587

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

The Board has elected to apply the simplified expected credit loss model based the probability of default approach as permitted by IFRS 9. The simplified impairment model is based on the provision matrix underpinned by the debtors age analysis. Impairments losses under this model are computed as a product of historical probability of default (PD), Loss given default (LGD), Exposure at Default (EAD) and adjusted for relevant forward looking macro-economic fundamentals such as GDP and Unemployment rates. Given the short-term nature of the trade receivables, we do not expect the macro-economic factors which are deemed to be medium to long-term in nature to impact the impairment of trade receivables and consequently we have ignored these factors in deriving the impairment model.

Reconciliation of Impairment Loss Allowance		
Opening balance calculated under IAS 39	25,834,751	21,714,601
Amounts restated through opening retained earnings – Transitional IFRS 9 Adjustment	140,208,302	-
Opening impairment allowance as at 1 April 2018 – calculated under IFRS 9	**166,043,053**	-
Increase/(Decrease) in receivable loss allowance recognised in profit or loss during the period	(70,346,290)	4,120,150
Closing balance at 31 March 2019	**95,696,763**	**25,834,751**

The impairment reversal is due to collections that were made from the Ministry of Agriculture and Food Security. Botswana Marketing Board recovered an amount of BWP116,404,820 as of 31st March 2019

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

		YEAR ENDED 31 MARCH 31 MARCH 2019	 31 MARCH 2018
5	**TRADE AND OTHER RECEIVABLES (Continued)**		

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

The Board does not hold any collateral as tangible security.

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

6	**CASH AND CASH EQUIVALENTS**		
	Bank balances	343,521	3,293,999
	Cash on hand	235,990	234,412
	Short term deposits (28 days)	-	7,418,413
		579,512	10,946,824
	Reconciliation of Cash & Cash Equivalents to the Statement of Cashflow:		
	Cash & cash equivalents	579,512	10,946,824
	Bank Overdraft	(124,722,793)	(136,284,770)
	Cash and cash equivalents at end of the year per SOCF	(124,143,281)	(125,337,946)

The credit quality of cash at bank and short term deposits, excluding cash on hand are placed with reputed financial institutions which are registered in Botswana.

The Board's bankers in Botswana are not rated but each of these banks are subsidiaries of major South African or United Kingdom registered institutions.

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

Botswana Pula Overdraft facility of BWP30,000,000 to be utilised for general working capital requirements; repayable on demand; carries an interest rate at Bank's prime lending rate per annum. The balance outstanding was BWP26,375.413.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

		YEAR ENDED 31 MARCH 31 MARCH 2019	31 MARCH 2018

6 CASH AND CASH EQUIVALENTS (Continued)

First National Bank Botswana
The Board's overall banking facility with First National Bank Botswana Limited, consist of; Botswana Pula Overdraft facility of BWP10,000,000 to be utilised for general working capital requirements; repayable 12 months or on demand; carries an interest rate at Bank's prime lending rate prevailing from time to time. The debtor finance facility is to be covered by 90% debtors less than or equal to 60 days. The balance outstanding was BWP9,320,939.

Botswana Pula Overdraft facility of BWP30,000,000 to be utilised for general working capital requirements; repayable 12 months or on demand; carries an interest rate at Bank's prime lending rate prevailing from time to time. The debtor finance facility is to be covered by 90% debtors less than or equal to 60 days. The balance outstanding was BWP9,216,70.

The overdraft facility of BWP30,000,000 was in breach as the facility was not revolving as expected. The Botswana Agricultural Marketing Board then negotiated a monthly payment plan of BWP1,525,308 to clear off the facility.

Banc ABC
The Board's overall banking facility with Banc ABC is; Botswana Pula Overdraft facility of BWP20,000,000 to be utilised for general working capital requirements; repayable on demand; charged at an interest rate of one (2.5%) below the Bank`s prime lending rate prevailing from time to time. The balance outstanding was BWP19,715,785.40. The bank requires that 30% of the Board`s proceeds should be channelled through Banc ABC.

Stanbic Bank of Botswana
Botswana Pula general short term banking facility in the form of an overdraft of BWP50,000,000 which was utilised for general working capital requirements charged at an interest rate of one percent (1%) below the Bank`s prime lending rate prevailing from time to time. The balance outstanding was BWP45,220,543.

The bank has a deed of hypothecation to the amount of BWP50,000,000 over stock and receivables held by the Board and cession of insurance policy proceeds passed in favour of the bank to the value of BWP50,000,000.

Upon an annual review of the facility by the Bank the facility was found to be in breach of clause 7.1.4 and 7.1.10 (relates to fluctuation and receipts into the account),the Board then renegotiated a payment plan to clear off the overdraft.

The Board during the tenor of the facility should not undertake any further borrowings with any other financier which exceeds in aggregate BWP350,000,000 unless authorised by the Ministry of Finance and Economic Development.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

			YEAR ENDED 31 MARCH 31 MARCH 2019	31 MARCH 2018
7	**EQUITY AND RESERVES**			
7.1	**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).

7.2 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.

		2019	2018
At the beginning of the year		75,158,002	78,281,117
Revaluation surplus amount	2.2	-	(1,166,087)
Depreciation transfer		(1,870,728)	(1,957,028)
		73,287,275	75,158,002

7.3 Stabilization Fund

The stabilization 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 appropriated by the Government specifically for the purpose of that fund and/or any amounts the Board considers necessary for the purpose of such a fund. As per the provisions of Section 12, the maximum amount of stabilization fund shall not exceed such amount as approved by the Government time to time, which is currently P 9,017,688.

Moneys in the stabilization fund shall not be used except to stabilize the prices paid by the Board for the scheduled produce; or for such other purposes as the Board may from time to time determine with the approval of the Minister responsible for Agriculture and Minister responsible for finance.

	2019	2018
At the beginning of the year	9,017,668	9,017,668
At end of the year	9,017,668	9,017,668

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	NOTES	31 MARCH 2019	31 MARCH 2018

7 RESERVES (continued)

7.4 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 appropriated by the Government specifically applied for development purposes and/or any amounts the Board considers necessary for the purpose of such a fund. As per the provisions of Section 13, the Board shall not in any financial year appropriate to the fund any amount exceeding P2 per ton of scheduled produce dealt with by the Board in the year, or such other sums as the approval of the Minister, with the approval of the Minister for time being responsible for finance, may determine.

Subject to the provisions of Section 15 ,moneys in the development fund shall not be used except for the purposes of a development programme or programmes approved by the Minister.

	NOTES	31 MARCH 2019	31 MARCH 2018
At the beginning of the year		1,000,000	1,000,000
		1,000,000	1,000,000

8 BANK LOAN

The Board has a facility with Barclays Bank of Botswana.

	NOTES	31 MARCH 2019	31 MARCH 2018
Barclays Bank of Botswana	4	41,200,000	142,250,882
		41,200,000	142,250,882

The board has a one year tenor short loan facility with Barclays Bank of Botswana of BWP150,000,000 which was utilised for general working capital requirements.At an interest rate of 5.5%.The loan was restructured in November 2018, to be repaid in five quarterly repayments of BWP16,400.000,the current outstading is BWP41,200,000.

Terms and conditions of the loan;

Security cover ratio to be a minimum of 111% at all times
Monthly stock declaration reflecting value of commodity,per location and prices

Collateral management;bank`s nominated individuals to visit select storage sites to verify paper based information provided by the board.All insurance policies for assets secured in favour of the Bank with all assets insured against alll risks and their replacement value.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	YEAR ENDED 31 MARCH 31 MARCH 2019	31 MARCH 2018

9 DEFERRED INCOME

Deferred income mainly relates to unexpended balance of grants received from the Government of Botswana. The grant was utilised to purchase 5 additional 10 metric tonnes trucks in 2018, the grant was not utilised in 2019.

	31 MARCH 2019	31 MARCH 2018
Opening balance	7,164,700	13,384,293
Utilised balance during the year	-	(6,219,593)
Additional grant from Government	-	-
Un-utilised grant income	**7,164,700**	**7,164,700**

10 DIVIDENDS PAYABLE

Under the presidential directive Cab 40/2004, each parastatal which is not subject to tax on its profits is required to pay 25% of its annual profits as dividend to the Government. In the current year BAMB was subject to tax hence under the directive no dividend will be paid. In 2016 dividend was P6,122,906.

11 TRADE AND OTHER PAYABLES

	31 MARCH 2019	31 MARCH 2018
Trade payables	37,843,763	44,447,780
Payroll accruals	3,729,258	5,048,221
	41,573,021	**49,496,001**
Dividends accrued	7,155,180	7,155,180
	48,728,200	**56,651,181**
11.1 Tax payable	2,099,219	3,335,972
11.2 Bank overdraft	124,722,793	136,284,770

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Board for similar financial instruments.

The trade and other payables attract no interest and settlement is normally done within 30 days.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

		31 MARCH 2019	31 MARCH 2018
12	**PROVISIONS**		
	At the beginning of the year	1,063,247	1,063,247
	Additional provision raised during the year	7,500,000	-
	At the end of the year	8,563,247	1,063,247

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

13 FINANCIAL LIABILITIES BY CATEGORY

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

	31 MARCH 2019	31 MARCH 2018
Financial liabilities at amortised cost:		
Trade and other payables (excluding tax payable)	48,728,200	56,651,181
Bank Loan	41,200,000	142,250,882
Bank Overdrafts	124,722,793	136,284,770
	214,650,993	335,186,833

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

14 REVENUE FROM CONTRACT WITH CUSTOMERS

Analysis of Revenue

Recognition of revenue by timing and product

	31 MARCH 2019	31 MARCH 2018
Performance obligations satisfied over time		
Strategic Grain Reserve management fees	16,677,496	16,677,120
Performance obligations satisfied at a specific point in time		
Sale of goods – Local	304,177,099	259,147,543
Sale of goods – Export	7,715,630	10,143,918
Total sales of goods	311,892,729	269,291,461
Total revenue from contract with customers	328,570,225	285,968,581

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

	31 MARCH 2019	31 MARCH 2018
Cost of goods sold	246,552,216	246,520,022
Inventory losses and allowances	19,062,457	15,680,418
Transport subsidy received from Ministry of Agriculture	(6,498,445)	(2,501,554)
Distribution costs	15,809,489	10,739,297
Discounts received	(967,910)	(1,557,508)
	273,957,806	268,880,993

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

		NOTES	YEAR ENDED 31 MARCH 31 MARCH 2019	31 MARCH 2018
16	**OTHER INCOME**			
	Rent received		1,980,543	1,858,930
	Sundry income		40,809,876	10,037,932
	Investment property revaluation		-	2,165,000
	Profit on sale of assets		-	112,692
			42,790,419	14,174,553

Sundry income
The board was given a grant from the Botswana Government Veterinary for the acquisition of the Livestock Advisory Council to assist with take over and running costs.

17 Operating lease —Board as a lessor
The Board has entered into commercial property leases on its surplus office and warehouses. These cancellable leases have remaining terms of between one (1) and five (5) years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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

		31 MARCH 2019	31 MARCH 2018
	Within one year	969,526	920,370
	After one year but not more than five years	1,156,726	1,692,739
		2,126,252	2,613,109
17.1	**Deffered Lease Liability**		
	At the beginning of the year	145,768	79,919
	Additional raised during the year	77,822	65,849
	At the end of the year	223,589	145,768

Lease costs are recognised over the lease term on a straight-line basis. Deferred lease obligations relate to the difference in the actual lease payments made and lease costs recognised in the Statement of Comprehensive Income on a straight line basis.

		NOTES	31 MARCH 2019	31 MARCH 2018
18	**OPERATING PROFIT /(LOSS)**		**(86,656,687)**	**(47,832,308)**
	Board members' sitting fees and expenses		110,933	104,189
	Travelling and accommodation		10,897,168	6,281,284
	(Profit)/Loss on foreign exchange		(16,009,641)	(9,396,373)
	Repairs and maintenance		1,986,369	757,095
	Telephone and fax		1,734,303	2,282,175
	Office and general expenses		20,162,573	15,821,611
	Net (loss)/gain from fair value adjustment	2.2	465,000	(2,165,000)
	Motor vehicle expenses		1,224,931	1,019,343
	Impairment of trade and other receivables		(70,346,290)	4,120,150
	Advertising		1,780,240	2,879,814
	Insurance		774,255	1,878,140
	Security		3,817,689	3,266,073
	Depreciation on property, plant and equipment		8,655,012	7,981,632
	Employee costs		43,829,222	43,050,447
	Pension contribution expense		1,121,719	1,215,738
	Vehicle rentals		542,668	-
			81,092,440	79,094,449

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

		31 MARCH 2019	31 MARCH 2018
19	**FINANCE INCOME**		
	Interest revenue		
	Bank	110,722	177,914
	Interest charged on trade and other receivables	63,609	53,364
		174,331	231,278
20	**FINANCE COSTS**		
	Interest on Overdraft	5,012,490	3,144,694
	Interest on loans	11,050,760	13,123,015
		16,063,250	16,267,708
21	**AUDITORS REMUNERATION**		
	Fees	451,855	398,720
		451,855	398,720

22 COMMITMENTS

Authorised capital expenditure

Not yet contracted for and authorised by the board

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

	31 MARCH 2019	31 MARCH 2018
Commitment		
Refurbishment of BAMB warehouses	-	5,908,255
	-	5,908,255

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

		YEAR ENDED 31 MARCH 2019	31 MARCH 2018
23	**TAXATION**		
	The major components of income tax expense for the year ended are:		
	Statement of Comprehensive income		
	Botswana normal taxation		
	Corporate tax	-	-
	Deferred taxation	-	328,896
	Taxation expense	**-**	**328,896**
	Tax rate reconciliation		
	Profit before tax	70,767,768	(63,868,738)
	Company tax at 22%	15,568,909	(14,051,122)
	Adjustment for:		
	Non-deductible expenses	9,282,978	14,051,122
	Utilization of brought forward tax losses	(24,851,888)	-
	Taxation expense	-	-
	Deferred tax assets/(liabilities)		
	Opening balance	-	(1,481,552)
	Wear and tear allowance	1,930,376	1,717,352
	Provisions	-	(233,914)
	Temporary differences arising from other balance sheet items	3,693,971	22,365,007
	Unrecognised deferred tax	(5,624,348)	(22,366,893)
	Net deferred tax (liability)/asset	**-**	**-**

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

Note

The Board became liable for income tax effective 1st July 2016. The board will not recognise any tax expense in the current year as it has an assessed loss of BWP BWP60,189,545 bought forward from the prior year and hence no income tax expense is payable.

Botswana Agricultural Marketing Board was registered as a trust instead of as a company. The process of deregistration from a trust to a company is ongoing. The Botswana Agricultural Marketing Board has a tax expenses of BWP 5,451,077 for the year ended March 2017, as at 31st March 2019 an accrual of BWP 2,099,219 was raised pending re-registration.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	31 MARCH 2019	31 MARCH 2018

24 CONTINGENCIES

The Board has an uncommitted facility in place with its bankers, First National Bank Botswana Limited to issue guarantees/letters of credit whenever is required in the normal course of its business. The total guarantees outstanding as at the reporting date is P7,585,900:(2018:P7,585,900).

The Board has an uncommitted facility in place with its bankers, Standard Chartered Bank Botswana Limited to issue guarantees/ letters of credit whenever is required in the normal course of its business. The total guarantees outstanding as at the reporting date was nil (2018]: P300 000.00).

25 RELATED PARTY DISCLOSURES

Relationships		
Owner with significant influence	**Government of Botswana**	
Members of the Board	**Refer to general information page**	
Members of key management	**Mr Leonard Morakaladi**	**(Chief Executive Officer)**
	Ms Tobile Lemo	**(Head, Finance)**
	Mr Keefentse Gaebowe	**(Head, Human Resource and Strategy)**
	Tumelo Keitumetse	**(Head, Internal Audit)**
	Dr Obakeng Kemolatlhe	**(Head, Veterinary Services)**
	Thato Seitshiro	**(Head, Commercial & Business Development)**
	Ms Melitah Seago	**(Acting - Head Operations)**
	Kopano Mokobi	**(Head, Commercial & Business Development)**
	Benjamin Ditsele	**(Head, Veterinary Services)**
	Waboraro Mokgatla	**(Head, Human Resource and Strategy)**
	Bashi Ratshosa	**(Head, Operations)**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

25 RELATED PARTY DISCLOSURES (Continued)

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

	YEAR ENDED 31 MARCH 31 MARCH 2019	31 MARCH 2018
Amounts included in Trade Payables regarding related parties:		
Government of Botswana - Strategic Grain Reserve	3	3
Amounts included in Trade Receivables regarding related parties		
Department of Crop Production	12,921,372	14,924,765
Department of Local Government Finance and Procurement	6,817,875	14,356,025
Department of Veterinary Services	878,962	15,656,274
Government of Botswana - Strategic Grain Reserve	35,756,292	82,608,899
Government of Botswana - Strategic Grain Reserve(administration fees)	16,677,496	16,677,120
Botswana Housing Cooperation	1,287,688	-
Botswana Ash	714,340	732,186
Botswana Power Cooperation	-	227,910
Botswana Post	2,137	496
Botswana Railways	557	1,670
Buan	-	50,830
	75,056,719	145,236,175
Related party transactions		
Purchases from related parties		
Government of Botswana - Strategic Grain Reserve	-	-
Grants received from related parties		
Government of Botswana-Ministry of Agricultural Development and Food Security	30,000,000	-
Board member fee and expenses		
Sitting fees and expenses	110,933	104,189
Grants and fees received from Government of Botswana		
Strategic Grain Reserve management fees	16,677,496	16,677,120
Transport subsidy - Ministry of Agricultural Development and Food Security	6,498,445	2,501,554
Sales to related parties		
Department of Crop Productions	4,727,857	9,404,300
Department of Local Government Finance and Procurement	30,594,800	5,810,390
Government of Botswana	39,193,749	77,059,327
Compensation of key management personnel		
Short term employee benefits	3,658,115	3,603,207
Gratuity and leave pay	3,525,761	5,090,329

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	31 MARCH 2019	31 MARCH 2018

26 RISK MANAGEMENT

Capital management

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

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

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

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

Financial risk management

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

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

Liquidity risk

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

The Board's liquidity risk arises due to its exposure to trade payables, overdrafts and bank loans .Significant part of its payables relate to amounts owed to Strategic Grain Reserve, a directive managed by the Board. The Board will approach Government with funding requirements when necessary. The Board also has significant obligations on its employee benefit accruals such as leave pay and gratuity. These liabilities are met out of the operational funds of the Board.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	YEAR ENDED 31 MARCH 31 MARCH 2019	31 MARCH 2018

26 RISK MANAGEMENT (continued)

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

At 31 March, 2019

	Not later than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Total Amount
Trade and other payables	24,588,019	11,914,144	1,473,627	37,975,790
Loan obligations			41,200,000	41,200,000
Bank overdraft		124,722,793		124,722,793
	24,588,019	136,636,938	42,673,627	203,898,583

At 31 March, 2018

	Not later than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Total Amount
Trade and other payables	22,546,208	12,779,490	9,122,081	44,447,780
Loan obligations		142,250,882		142,250,882
Bank overdraft		136,284,770		136,284,770
	22,546,208	291,315,142	9,122,081	322,983,432

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

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

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

At 31 March, 2019, 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 P250,624 (2018: P301,286.59) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than one year	Due in more than two years
Short term deposits	3.00%	-	-
BWP call deposits	0.03%	-	-
Loans	6.5%	41,200,000	-
Interest charged on overdraft	6.50%	124,722,793	-

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	31 MARCH 2019	31 MARCH 2018

26 RISK MANAGEMENT (Continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Board. As at 31 March 2019, the Board's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise credit risk, the Board has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Board reviews the recoverable amount of each trade debt on an individual basis at the end of each month to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors consider that the Board's credit risk is significantly reduced. The Board does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. Financial assets of the Board, which are subject to credit risk, consist mainly of trade and other receivable and cash resources. The Board holds cash deposits with reputable financial institutions.

The expected credit losses computed under IFRS 9 are underpinned by the concept credit risk. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Board. The Board has used the debtors age analysis to model credit risk into PDs. Consistent with the IFRS 9 presumption, the Board considers debt that is 90 days past due to be in default. In calculating the overall PDs, the Board first computes the probability of debt moving from the previous aging bucket to the next on a month by month basis (e.g. PD of debt moving from current to 1-30 days past due; from 1-30 days past due to 31-60 days past due; from 31-60 days past due to 61-90 days past due). The PD for debt in the over 90 days past due bucket is 100% since 90 days past due is considered a default.

The Board applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all short-term receivables. To measure the expected credit losses, short-term receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 31 March 2019 is determined as follows.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

26 RISK MANAGEMENT (Continued)

Credit risk

Expected Credit loss Default Rates at 31 March 2019					
Customer Grouping	**Current**	**1 - 30 Past due**	**31 - 60 Past due**	**61 - 90 Past due**	**Over 90 Past due**
Government Debtors	11.88%	53.37%	62.61%	86.07%	100%
Transport Debtors	3.45%	11.74%	19.78%	86.39%	100%
Corporate Debtors	17.74%	52.59%	72.35%	87.96%	100%
Individual Debtors	18.34%	45.88%	65.10%	97.66%	100%

Expected Credit loss Default Rates at 1 April 2018					
Customer Grouping	**Current**	**1 - 30 Past due**	**31 - 60 Past due**	**61 - 90 Past due**	**Over 90 Past due**
Government Debtors	17.43%	54.79%	71.22%	95.65%	100%
Transport Debtors	29.22%	54.85%	75.49%	97.21%	100%
Corporate Debtors	19.76%	55.41%	76.78%	78.98%	100%
Individual Debtors	33.73%	81.26%	84.34%	90.42%	100%

Trade & Other Receivables: Gross Carrying Amounts at 31 March 2019						
Customer Grouping	**Current**	**1 - 30 Past due**	**31 - 60 Past due**	**61 - 90 Past due**	**Over 90 Past due**	**Total**
Government Debtors	14,407,944	4,374,388	165,681	454,584	73,597,642	93,000,239
Transport Debtors	103,019	36,867	14,158	168	243,370	397,582
Corporate Debtors	26,054,561	664,440	193,588	115,802	15,238,789	42,267,182
Individual Debtors	359,146	34,850	45,237	0	3,231,885	3,671,118
Total	**40,924,670**	**5,110,545**	**418,664**	**570,554**	**92,311,686**	**139,336,121**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

26 RISK MANAGEMENT (Continued)

Credit risk

Trade &Other Receivables: Gross Carrying Amounts at 1 April 2018						
Customer Grouping	**Current**	**1 - 30 Past due**	**31 - 60 Past due**	**61 - 90 Past due**	**Over 90 Past due**	**Total**
Government Debtors	29,469,679	4,696,185	563,703	543,997	145,533,139	180,806,703
Transport Debtors	73,020	144,032	0	10,426	372,815	600,292
Corporate Debtors	13,050,989	736,173	564,245	886,023	8,693,636	23,931,067
Individual Debtors	642,976	496,637	55,702	2,904	1,966,569	3,164,789
Total	**43,236,664**	**6,073,027**	**1,183,650**	**1,447,350**	**156,565,590**	**208,502,851**

Expected Credit Loss (ECL) Allowance at 31 March 2019						
Customer Grouping	**Current**	**1 - 30 Past due**	**31 - 60 Past due**	**61 - 90 Past due**	**Over 90 Past due**	**Total**
Government Debtors	1,595,243	2,175,435	96,670	364,606	68,584,717	72,816,671
Transport Debtors	3,299	4,021	2,603	135	226,199	236,258
Corporate Debtors	4,370,306	330,325	132,294	96,290	14,405,080	19,334,394
Individual Debtors	65,214	15,828	29,154	0	3,199,244	3,309,440
Total	**6,034,062**	**2,525,609**	**260,721**	**461,031**	**86,415,240**	**95,696,763**

Expected Credit Loss (ECL) Allowance at 1 April 2018						
Customer Grouping	**Current**	**1 - 30 Past due**	**31 - 60 Past due**	**61 - 90 Past due**	**Over 90 Past due**	**Total**
Government Debtors	5,050,378	2,529,584	394,670	511,489	143,062,478	151,548,599
Transport Debtors	21,036	77,892	0	9,993	367,600	476,521
Corporate Debtors	2,331,661	365,614	388,329	627,254	7,792,748	11,485,606
Individual Debtors	208,287	387,587	45,124	2,522	1,888,807	2,532,327
Total	**7,611,362**	**3,360,677**	**828,123**	**1,151,258**	**153,111,633**	**166,043,053**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

26 RISK MANAGEMENT (Continued)
Credit risk

Financial assets with the maximum exposure to credit risk at the year-end were as follows:

Description	**2019**	**2018**
Gross Debtors	139,336,120	212,236,502
Less: Impairment provision	(95,696,763)	-25,834,751
Net trade and other receivables	**43,639,357**	**186,401,446**
Cash & Cash equivalent	**579,512**	**10,946,824**
Total maximum amount exposed to credit risk	**44,218,869**	**197,348,270**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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

26 RISK MANAGEMENT (Continued)

Determination of fair values and fair values hierarchy
The following table shows an analysis of items recorded or disclosed fair value:
The Board uses the following hierarchy for determining and disclosing the fair value of items measured or disclosed at fair value:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (that is, derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

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

Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2019:
Date of valuation

	Date of valuation	Notes	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total value
Investment properties						
- Physical properties	31-Mar-19	2.2	-	-	22,800,000	22,800,000
Property, plant and equipment						
- Land and buildings	31-Mar-19	2.1	-	-	72,298,241	72,298,241
- Motor vehicles	31-Mar-19	2.1	-	-	4,237,053	4,237,053
- Plant and machinery	31-Mar-19	2.1	-	-	4,417,085	4,417,085
			-	-	103,752,378	103,752,378

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

	Date of valuation	Notes	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total value
Investment properties						
- Physical properties	31-Mar-18	2.2	-	-	23,265,000	23,265,000
Property, plant and equipment						
- Land and buildings	31-Mar-18	2.1	-	-	73,902,668	73,902,668
- Motor vehicles	31-Mar-18	2.1	-	-	6,531,986	6,531,986
- Plant and machinery	31-Mar-18	2.1	-	-	6,359,919	6,359,919
			-	-	110,059,573	110,059,573

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	YEAR ENDED 31 MARCH 31 MARCH 2019	31 MARCH 2018

26 RISK MANAGEMENT (Continued)

Foreign exchange risk

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

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

	Increase/ (decrease) in exchange rate	Effect on profit	Effect on profit after tax
2019	5%	3,538,388	3,538,388
	(5%)	(3,538,388)	(3,538,388)
2018	5%	727,905	727,905
	(5%)	(727,905)	(727,905)

Exchange Rates
The amounts reported below are exchange rates against the Pula.

	2019 Rand	2018 Rand
Exchange rate	1.3757	1.2161

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

26 RISK MANAGEMENT (Continued)

Determination of fair values and fair values hierarchy

Level 3 valuation
Investment Properties - Refer to accounting policy note 16 on how fair value is determined.
Property, plant and equipment - Refer to note 2b on the how the fair value is determined.

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

Reconciliation of movements in level 3 financial instruments measured at fair value	Investment Properties	Land and Buildings	Furniture and Fixtures	Motor Vehicles	Plant and Machinery
31 March 2019					
Balance	23,265,000	72,298,241	-	4,237,053	4,417,085
Adjusted due to IFRS 13	-	-	-	-	-
Total gains/(loss) in comprehensive income	(465,000)	-	-	-	-
Acquisitions	-	-	-	-	-
Settlements/ Repayments	-	-	-	-	-
	22,800,000	72,298,241	-	4,237,053	4,417,085

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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

Instrument	Applicable to level	Valuation basis	Main assumption	Significant unobservable input	Quantitative data	Sensitivity of the input to fair value
Properties	3	Discounted cash flow model (DCF)	Consumer Price index	Capitalisation rate	7 - 9%	9% (2018; 9% increase (decrease) in the growth rate would result in an increase (decrease) in the fair value by BWP 3,257,100 (2018;3,192,000)
Furniture and fixtures	3	Management assessment of useful life and replacement costs	"Useful life Replacement costs"	Useful life	3 - 5 years	
Motor vehicles and plant and machinery	3	The cost approach, which reflects the amount that would be required currently to replace the service capacity of an asset	Consumer Price index	N/A index points	181.3	

27 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

year ended 31 March 2019

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Strategic Grain Reserve

ANNUAL FINANCIAL STATEMENTS

year ended 31 March 2019

GENERAL INFORMATION

Country of Incorporation and Domicile:	Botswana
Nature of business and principal activities:	Holding of Strategic Grain Reserve for the Government of Botswana. The Botswana Agricultural Marketing Board is the managing agent appointed by the Government of Botswana to manage the Reserve. The Reserve was created by the Government as a storage facility for grain in the event of a nationwide natural disaster. The transactions executed between the Board and the Reserve are mainly purchase and sale of inventory. The Board periodically sells the Reserve inventory to avoid losses due to perishing of inventory.
Members of the Board	Mr Leonard Morakaladi (Chief Executive Officer of the managing agent) Ms Tobile Lemo (Head of Finance of the managing agent)
Company Secretary:	Mrs Onkemetse Thomas
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
Managing Agent:	Botswana Agricultural Marketing Board
Measurement and Presentation Currency:	Botswana Pula

Strategic Grain Reserve means the Strategic Grain Reserve (SGR) belonging to the Government and managed by the Botswana Agricultural Marketing Board and shall consist of 30,000 (thirty thousand) metric tons (mt) of sorghum, 30,000 (thirty thousand) metric tons (mt) of maize and 10,000 (ten thousand) metric tons (mt) of cowpeas and beans.

THE BOARD'S RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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

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

The Independent Auditors are responsible for giving an independent opinion on the Annual Financial Statement based on their audit of the affairs of the Strategic Grain Reserve. After making enquiries the Board has no reason to believe that the Strategic Grain Reserve will not be a going concern in the foreseeable future. For this reason, they continue to adopt, the going concern basis in preparation of these Annual Financial Statements based on forecasts, available cash resources and continued support of the Government of the Republic of Botswana.

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

Against this background Board accepts responsibility for the Annual Financial Statements on pages 5 to 25, which were signed on its behalf by;

Mr Leonard Morakaladi
Chief Executive Officer of the mananging agent

Date of Approval
31/10/19

Ms Tobile Lemo
Head of Finance

Date of Approval
31/10/19

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STRATEGIC GRAIN RESERVE

EY Building a better working world

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

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

Opinion

We have audited the financial statements of the Strategic Grain Reserve set out on pages 104 to 125 which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Strategic Grain Reserve as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Agency Agreement dated 13 October 2009.

Basis for Opinion

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

Other Information

The Members of the Board are responsible for the other information. The other information comprises the General Information and the Board's Responsibility and Approval of Annual Financial Statements, which we obtained prior to the date of this report and the annual report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Resident Partner: B Ndwapi (Managing Partner)
A full list of Partners is available from office and the Register of Companies
Independent member of Ernst & Young Global Limited.

INDEPENDENT AUDITOR'S REPORT cont.

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Responsibilities of the Members of the Board for the Financial Statements

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

In preparing the financial statements, the Members of the Board are responsible for assessing the Strategic Grain Reserve ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members of the Board either intend to liquidate the Strategic Grain Reserve or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Strategic Grain Reserve's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Strategic Grain Reserve's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Members of the Board;

- Conclude on the appropriateness of the Members of the Board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Strategic Grain Reserve's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Strategic Grain Reserve to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

Ernst & Young
Practising Member: Thomas Chitambo Partner
Membership Number: 20030022 Certified Auditor
Gaborone
6/1/20

STATEMENT OF FINANCIAL POSITION

	NOTES	AS AT 31 MARCH 2019 PULA	2018 PULA
Current assets			
Inventories	2	102,996,240	102,996,240
Trade and other receivables	3	3	3
Cash and cash equivalents	4	1,496,707	1,646,528
		104,492,950	104,642,771
TOTAL ASSETS		**104,492,950**	**104,642,771**
EQUITY AND LIABILITIES			
Equity			
Strategic Grain Reserves	7	205,389,405	205,389,405
Accumulated profit /(loss)		(200,182,850)	(183,355,533)
Total equity		5,206,555	22,033,872
Liabilities			
Current liabilities			
Trade and other payables	5	99,286,395	82,608,899
TOTAL LIABILITIES		**99,286,395**	**82,608,899**
TOTAL EQUITY AND LIABILITIES		**104,492,950**	**104,642,771**

STATEMENT OF COMPREHENSIVE INCOME

	NOTES	YEAR ENDED 31 MARCH 2019 PULA	2018 PULA
Revenue	8	-	-
Costs of sales	9	-	303,246
Gross Profit		**-**	**303,246**
Administration expenses	11	(16,678,252)	(16,676,397)
Operating expenses	12	(184,888)	49,788
Operating (Loss)		**(16,863,140)**	**(16,626,609)**
Finance income	10	35,823	36,154
(Loss) for the year		**(16,827,317)**	**(16,287,209)**
Other comprehensive income		-	-
Total comprehensive Loss		**(16,827,317)**	**(16,287,209)**

STATEMENT OF CHANGES IN EQUITY

		Reserves	Accumulated Profit/(Loss)	Total Equity
Balance at 31 March 2017		205,389,405	(166,461,832)	38,927,573
Total comprehensive income		-	(16,287,209)	(16,287,209)
Balance at 31 March 2018		205,389,405	(183,355,533)	22,033,872
Total comprehensive income		-	(16,827,317)	(16,827,317)
Balance at 31 March 2019		205,389,405	(200,182,850)	5,206,555
Notes		7		

STATEMENT OF CASH FLOWS

	NOTES	YEAR ENDED 31 MARCH 2019 PULA	2018 PULA
Cash flows from operating activities			
(Loss) for the year		(16,827,317)	(16,893,701)
Adjustments for:			
Profit on foreign exchange		184,888	(49,788)
Finance income	10	(35,823)	(36,154)
Changes in working capital:			
Decrease(increase) in inventories	2	-	303,245
Decrease in trade and other receivables		-	910,272
Increase in trade and other payables		16,677,496	15,644,275
Cash generated from /(Utilised in) operations		**(756)**	**(121,851)**
Interest received	10	35,823	36,154
Cash generated utilised in operations		35,067	(85,697)
Net increase in cash and cash equivalents		35,067	(85,697)
Net foreign exchange difference		(184,888)	49,788
Cash and cash equivalents at beginning of year	4	1,646,528	1,682,437
Cash and cash equivalents at end of the year	4	1,496,707	1,646,528

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.

These accounting policies have been consistently applied in the current year and previous financial year, unless otherwise stated.

The annual financial statements of the Strategic Grain Reserve are disclosed seperately and not consolidated into Botswana Agricultural Marketing Board. The Board does not have control over the Reserve as demonstrated in the signed Principal Agency agreement in clause 4; Clause 4 (Ownership) which states that the Government of Botswana appointed the Board as its sole agent to purchase, manage and preserve in good quality in the Reserve at all times. It further states that The Permanent Secretary in the Ministry of Agriculture is the appointed Principal who can terminate the contract after prior consultation with other stakeholders and having given the Board six (6) month notice.

Additionally, the Board has no financial investments in the Reserve, and the Government of Botswana through the Ministry of Agriculture owns the strategic grain reserves. The Board`s management runs and manages the Reserve on behalf of the Ministry of Agriculture and receives management fees. As per the Agency Agreement Clause 12, the administration fees charged at a rate of 10% of the total storage rental charged for physical SGR stocks held will cover the audit fees, insurance and contingencies.

The Board`s Management does not possess power through voting rights or embedded in the contractual agreement. For its involvement in the affairs of the Reserve the Board is not exposed to or receives any variable returns, rather it receives monthly management fees.

Both the Reserve and the Board have common employees, as the Board has been appointed as the agent to manage the Reserve. Therefore, the Board has no control over the Reserve, nor is it its parent entity, control lies with the Government of Botswana as such the Board and the Reserve issue separate financial statements as the relationship does not meet the requirements of IFRS 10 (Consolidated Financial Statements).

1.2 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. The Reserve had no significant estimates for the year ended 31st March 2019.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

1.3.1 Financial instruments (Applicable for periods before to 1 April 2018)

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.

1.3.1.1 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.

1.3.1.2 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.

1.3.1.3 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.

1.3.1.4 Trade and other payables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

1.3 Financial instruments (continued)

1.3.1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently measured at amortised cost. Cash and cash equivalents are usually not discounted as they have short term maturities.

1.3.1.6 Impairment of financial assets

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

Impairment losses are recognised in profit and loss.

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

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

1.3.1.7 Derecognition of financial asset

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

1.3.1.8 Derecognition of financial liability

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

1.3.1.9 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:
1) There is a currently enforceable legal right to offset the recognised amounts and;
2) There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

1.3.2 Financial assets and liabilities (Applicable for periods after to 1 April 2018)

Measurement methods

1.3.2.1 Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Reserve revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

1.3.2.2Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and recognised on an accrual basis.

1.3.2.3Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Reserve measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Reserve recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

1.3.2.4 Financial assets

Classification and subsequent measurement

From 1 April 2018, the Reserve has applied IFRS 9 and classifies its financial assets as amortised cost.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

1.3.2 Financial assets and liabilities (Applicable for periods after to 1 April 2018)

1.3.2.5 Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Classification and subsequent measurement of debt instruments depend on:
the Board's business model for managing the asset; and the cash flow characteristics of the asset.
Based on these factors, the Board classifies its debt instruments as amortised cost as follows:
Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. effective interest method.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the simplified expected loss model. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Business model: the business model reflects how the Reserve manages the assets in order to generate cash flows. That is, whether the Reserve's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Reserve in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Reserve as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Reserve assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Reserve considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Reserve reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

1.3.2 Financial assets and liabilities (Applicable for periods after to 1 April 2018)

1.3.2.6 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments readily convertible to cash and subject to insignificant risk of loss of value. Cash and cash equivalent are measured at amortised cost.

1.3.2.7 Impairment of financial assets

The Reserve recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost which include lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Reserve considers debt that is 90 days past due to be in default consistent with the presumption in the basis for conclusion to IFRS 9.

The Reserve always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using simplified ECL model based on the provision matrix. The ECL model takes into account the Reserve's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

1.3.2.8 Derecognition of financial asset

The Reserve derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Reserve neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Reserve recognises its retained interest in the asset and an associated liability for amounts it may have to pay. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

1.3.2.9 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

1.3.2.10 Derecognition of financial liabilities

The Reserve derecognises financial liabilities when, and only when, the Reserve 's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

1.4 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) .

1.5 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.

1.6.1 Revenue (Applicable for periods prior to 1 April 2018)

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

1.6.2 Revenue from Contracts with Customers (Applicable for periods after to 1 April 2018)
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 and maize. Revenue is measured based on the consideration to which the Reserve expects to be entitled in a contract with Botswana Agricultural Marketing Board and excludes amounts collected on behalf of third parties.

Revenue recognition follows a five step model framework as follows:

Step1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

1.7 Cost of sales

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

1.8 Foreign currency transactions

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

At each reporting date:

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

1.9 New and amended standards and interpretations

Standards issued but no impact on the Strategic Grain Reserve

There are a number of standards that became effective during the year however none will have any impact on the Strategic Grain Reserve

The following new standards and amendments became effective as of 1st April 2018 but will not have an impact of the Strategic Grain Reserve;

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

1.10 New and amended standards and interpretations

IFRS 15 and IFRS 9 became effective to the entity for the first time in the year 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below;

1.10.1 Adoption of IFRS 15: Revenue from Contracts with Customers

IFRS 15 replaced the previous revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance has been added to deal with specific scenarios.

The Reserve has applied IFRS 15 in accordance with the modified retrospective approach as per IFRS 15.C3 (b). Under this transition method, the Reserve elected to apply this Standard retrospectively only to contracts that are not completed at the date of initial application. The application of IFRS 15 had no impact on the opening balance of retained earnings at 1 April 2018 which is the date of initial application because there is no change in revenue recognition pattern for goods and services that are rendered by the Reserve. Apart from providing more extensive disclosures on the Reserve's revenue transactions, the application of IFRS 15 had no significant impact on the financial position and/or financial performance of the Reserve.

1.10.2 IFRS 9 Financial Instruments

The Reserve has adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of 1 April 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Reserve did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of the standard, the Reserve elected not to restate comparative figures. The comparative period notes disclosures repeat those of disclosures made in the prior period. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings. The Reserve does not hedge its financial risks and therefore hedge accounting is not relevant. The adoption of IFRS 9 had no impact on the recognition, classification and measurement of financial assets and impairment of financial assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

Section 1: New pronouncements issued as at 30 June 2019

Table of mandatory application

			First time applied in annual periods ending on the last day of these months**											
New pronouncement	Page	Effective date*	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
IFRS 16 *Leases*	5	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*	8	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	10	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28	13	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	12	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
AIP IFRS 3 *Business Combinations - Previously held Interests in a joint operation*	15	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
AIP IFRS 11 *Joint Arrangements - Previously held Interests in a joint operation*	15	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
AIP IAS 12 *Income Taxes - Income tax consequences of payments on financial instruments classified as equity*	15	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
AIP IAS 23 Borrowing Costs - *Borrowing costs eligible for capitalisation*	15	1 Jan 2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2019
Definition of a Business - Amendments to IFRS 3	9	1 Jan 2020	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2020
Definition of Material - Amendments to IAS 1 and IAS 8	11	1 Jan 2020	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2020
The Conceptual Framework for Financial Reporting	14	1 Jan 2020	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2020
IFRS 17 *Insurance Contracts*	6	1 Jan 2021	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2021
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	13	Note 1												

AIP: Annual IFRS Improvements Process. *Effective for annual periods beginning on or after this date. ** Assuming that an entity has not early adopted the pronouncement according to specific provisions in the standard, interpretation or amendment.
Note 1: In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

NOTES TO THE FINANCIAL STATEMENTS

		YEAR ENDED 31 MARCH 31 MARCH 2019	31 MARCH 2018
2	**INVENTORY**		
	Sorghum	86,715,641	87,018,887
	Pulses	16,280,599	16,280,599
	Inventory write-downs	-	(303,246)
		102,996,240	102,996,240

As per the agency agreement the minimum inventory levels for maize should be 5 000mt however at year end the level was 0mt. The current inventory level in the Reserve is 30,000mt(maximum required capacity) of sorghum and 2,000mt(minumum required capacity) of pulses.Maize did not meet the required minimum as per the requirement of the agency agreement.

As per the agency agreeement Clause 7,which relates to management and rotation, the Board shall draw down each component of the Reserve as part of its management to the set minimum levels.

Inventory is managed through quarterly fumigation exercises and spraying to contain any infestations that may flare up at any given time. The Botswana Agricultural Marketing Board manages its inventory the FIFO (First in First Out) inventory management method during inventory rotation

3	**TRADE AND OTHER RECEIVABLES**		
	Trade Receivables	3	3
		3	3

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

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

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

Trade and other receivables past due but not impaired
The Reserve's receivable balances are all due from the Botswana Agricultural Marketing Board and these are due within one month. There has been no impairment of receivable balances at year end.

Credit quality of trade and other receivables.

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

4	**CASH AND CASH EQUIVALENTS**		
	Bank Balances	1,496,707	1,646,528
		1,496,707	1,646,528

Credit quality of cash at banks.

Cash at bank is placed with reputed financial institutions which are registered in Botswana.

NOTES TO THE FINANCIAL STATEMENTS CONT.

		YEAR ENDED 31 MARCH 31 MARCH 2019	31 MARCH 2018
5	**TRADE PAYABLES**		
	Current	99,286,395	82,608,899
	Total Trade and Other Payables	99,286,395	82,608,899

Trade payables relates to administration fees due to Botswana Agricultural Marketing Board as per the Agency Agreement. 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.

6 FINANCIAL INSTRUMENTS

	Carrying Value 2019	Fair Value 2019
FINANCIAL ASSETS		
Loans and receivables at amortised cost;		
Trade and other receivables	3	3
Cash and cash equivalents	1,496,707	1,496,707
	1,496,710	1,496,710
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost;		
Trade and other payables	99,286,395	99,286,395
	99,286,395	99,286,395

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

NOTES TO THE FINANCIAL STATEMENTS CONT.

		YEAR ENDED 31 MARCH 31 MARCH 2019	31 MARCH 2018
7	**RESERVES AND CAPITAL**		
	Opening balance	205,389,405	205,389,405
		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.

		2019	2018
8	**REVENUE**		
	Sale of goods	-	-
		-	-

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. In the current year there no sales.

		2019	2018
9	**COST OF SALES**		
	Inventory write down	-	303,246
		-	303,246
10	**FINANCE INCOME**		
	Interest Income	35,823	36,154
		35,823	36,154
11	**ADMINISTRATION EXPENSES**		
	Strategic Grain Reserve Administration charges	16,677,496	16,674,458
	Bank charges	756	1,939
		16,678,252	16,676,397
12	**OPERATING EXPENSES**		
	Unrealised exchange loss	(184,888)	49,788
		(184,888)	49,788

NOTES TO THE FINANCIAL STATEMENTS CONT.

13 RELATED PARTIES

Relationships

Owner with significant influence	Government of Botswana
Members of the Reserve	Refer to general information page
Members of key management	Leonard Morakaladi (Chief Executive Officer)
	Tobile Lemo (Head,Finance)
	Melitah Seago(Acting Head,Operations)
	Keefentse Gaebowe (Head,Human Resources and Strategy)
	Thabo Seitshiro (Head, Commercial & Business Development)
	Tumelo Keitumetse (Head,Internal Audit)
	Obakeng Kemolatlhe (Head, Veterninary Service)

Related party balances Terms and conditions	YEAR ENDED 31 MARCH 31 MARCH 2019	 31 MARCH 2018
All related party balances are settled on the normal business repayment terms of 30 days.		
All related party transactions take place at arm's length.		
Sales to related parties		
Botswana Agricultural Marketing Board	-	-
Amounts included in trade receivables regarding related parties		
Botswana Agricultural Marketing Board	3	3
Amounts included in trade payables regarding related parties		
Botswana Agricultural Marketing Board-Non Current	99,286,395	82,608,899
Administration fees paid to related parties		
Botswana Agricultural Marketing Board	16,677,496	16,674,458

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 2019 the reserve had P102,996,240 inventory to be sold to the Board next financial year.

NOTES TO THE FINANCIAL STATEMENTS CONT.

14 RISK MANAGMENT

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, cost of capital calculations, and debt/equity ratios.

Financial risk management

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

Market Risk

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than one year	Due in more than two years
31 March 2019			
Bank balances	3.20%	1,496,707	-
31 March 2018			
Bank balances	3.20%	1,646,528	-

	Change in interest rate	Effect on profit before tax	Effect on equity
31 March 2019	+5%	1,791	1,791
	-5%	(1,791)	(1,791)
31 March 2018	+5%	1,808	1,808
	-5%	(1,808)	(1,808)

NOTES TO THE FINANCIAL STATEMENTS CONT.

14 RISK MANAGEMENT (Continued)

Credit risk

The main customer for the Reserve is the Botswana Agricultural Marketing Board. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Reserve. As at 31 March 2019, the Reserve's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position. The Reserve reviews the recoverable amount at the end of each month to ensure that adequate loss allowance is made for irrecoverable amounts. As at 31st March 2019, the amount outstanding from the Reserve`s sole customer,was BWP3. The directors consider that the Reserve's credit risk is not significant. The Reserve does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. Financial assets of the Reserve, which are subject to credit risk, consist mainly of trade and other receivable and cash resources. The Reserve holds cash deposits with reputable financial institutions.

The Reserve applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all short-term receivables. To measure the expected credit losses, short-term receivables will be grouped based on shared credit risk characteristics and the days past due. There was no loss allowance as at 31 March 2019 as the amount outstanding was not material.

Liquidity risk

Liquidity risk is the risk that the reserve will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Significant part of its payables relate to amounts owed to the Botswana Agricultural Marketing Board, the agent of the Reserve. The Reserve contemplates approaching Government with funding requirements when adequate funding resources are not available as the Reserve is in itself a Statutory Corporation.

At 31 March, 2019	**Less than 1 Year**	**Between 2 and 5 years**	**Over 5 Years**
Trade and other payables	16,677,496	99,787,389	-

At 31 March, 2018	**Less than 1 Year**	**Between 2 and 5 years**	**Over 5 Years**
Trade and other payables	16,674,458	65,934,441	-

Foreign currency risk

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

Foreign currency sensitivity

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

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

NOTES TO THE FINANCIAL STATEMENTS CONT.

14 RISK MANAGEMENT (Continued)

Foreign currency sensitivity

	Change in interest rate	**Effect on profit before tax**	**Effect on equity**
31 March 2019	+5%	66,639	66,639
	-5%	(66,639)	(66,639)
31 March 2019	+5%	69,584	69,584
	-5%	(69,584)	(69,584)

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.

NOTES

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