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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.

Our Overview

POWERS OF BAMB CONFERRED BY THE ACT

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

The act also requires BAMB

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

Our Vision

To be a Global benchmark in facilitating
Food security

Our Mission

We are your Agri-solutions Hub

Values

- Innovation
- Integrity
- Teamwork
- Efficiency



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OUR 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

To contact the Sales offices please call 3951341

- 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

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

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

Agricultural Farming Inputs

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

Animal Feed

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

Veterinary Services

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

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 products and supply BAMB with crops such as sorghum, maize, cowpeas or beans at agreed price and quantities prior to planting. This helps

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

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

The Benefits include amongst others:

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



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CHAIRPERSON'S STATEMENT





Section 17 (1) of the act, (CAP 74:06) requires that the Board reports its annual performance. As the Chairperson of the Board of Directors, I herein present the Botswana Agricultural Marketing Board annual report for the year ending March 31st 2020.

The Financial Accounts for the year 2019/2020 were approved by the members of the board on June 28th, 2021. This report also includes the statement of accounts, which outlines how the Board's operational revenues were generated and utilized during the reporting period.

Financial Results

The year 2019 marked the beginning of the manifestation of the Covid 19 pandemic and most productive sectors of the economy were adversely affected by its devastating impact. The agricultural sector was not spared and farm produce losses and waste were reported due to national lock downs aimed at combating and containing the spread of the virus.

For the financial year ending March 31st, 2020, BAMB recorded a loss of P40.7million compared to a profit of P70.7 million reported during the previous financial year ending March 31st, 2019. The decline in profits was attributable to the increase in both operating expenses as well as impairment losses on trade and other receivables. Operating expenses increased by 19% from P81million to P96 million for the

period under review and the increase was above the 10% cost containment threshold set by the Board. Total impairment losses on trade and other receivables amounted to P18 million which represented a steep decline from the impairment reversals of P70.3 million recognised in 2019 indicating pressures on receivables collection. Other income receipts for the current financial year were also reduced by a notable 67% from P42 million in the prior year to 13 million in the year under review.

Despite all other challenges experienced, the Board recorded a positive revenue growth of 28% with total revenue having increased from P328,570,225 million to P421,153,671 million for the year under review. The increase in revenue was attributed to adoption of strategic interventions which focused more on improving financial efficiencies and addressing customer needs. As a result, gross profit margin increased marginally by 0.1% from 16.6% recorded in the prior year to 16.7% in the current year.

Looking at the entire product portfolio within BAMB, sorghum emerged as the highest demanded product by customers who were mostly local millers. The substantial uptake of sorghum by commercial millers contributed P200 million or 42% to total sales. 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 focus on more prudent cash flow management

strategies. Although profitability declined for the period under review, the recorded increase in sales revenue demonstrated the Board's resilience despite difficult operating conditions.

Food Security

The Board continues to manage the Government Strategic Grain Reserve (SGR) as mandated by the Act for purposes of ensuring national food security. During the financial year 2019/20, SGR holdings comprised of 15,000mt of sorghum, 2,263mt of pulses and 1,344mt of maize. The Board remains committed to managing the grain reserves as required by the relevant governing statutes.

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. The operations of the Board of Directors is guided by the Board Charter that has clear outlined principles of its fiduciary responsibilities and roles for proper execution of its mandate. deliberations, thus keeping up with corporate governance trends.

It is my hope that the Board will remain focused and diligently render services as required to improve on its performance and profitability as well as play a vital role in the commercialization of the agricultural sector and the diversification of the national economy.

BOARD OF DIRECTORS



Mr Tally Tshekiso
Board Chairperson



Mr Joshua Moloi
Board Member



Mr Quett Rabai
Board Member



Mr Gaamangwe Maruatona
Board Member



Mr Boago Sennanyana
Board Member



Ms Lesedi Mmopelwa
Board Member



Mr Phillip Setiko
Board Member



Ms Olebile Daphney Muzila
Board Member



Ms Ogone Madisa – Kgwarae
Board Member



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CHIEF EXECUTIVE OFFICER'S STATEMENT





■ At the beginning of the financial Year 2019/2020, a five year plan termed Tsosoloso strategy was developed and adopted for implementation with a vision to establish a 'One Stop Shop of Choice' for agricultural products and services by Year 2024. ■

Financial Highlights

Productivity in the agricultural sector continues to be adversely affected by erratic rainfall characterised by seasonal droughts, heavy rains, pests and outbreak of diseases. Other factors such as non-availability of much needed infrastructure like access roads and electricity have also negatively impacted the growth of the sector. Underutilisation of ICT platforms and poor adaptation to digital technology in agriculture remains the highest contributor to low productivity. Amidst all highlighted challenges, the agricultural sector continues to play an important role in the economy as the mainstay of rural households' livelihood. Botswana Agricultural Marketing Board (BAMB) remains resolute in progressing its unwavering commitment to work towards fulfilling its mandate of ensuring food security for the nation continues.

During the period under review, BAMB recorded a profit loss of P40.7million mainly due to increases in operating expenses and impairment losses on trade and other receivables. Operating expenses increased by 19% from the amount recorded in the prior year.

Ongoing Projects

There was noticeable gradual improvement in the overall performance of the organisation although turnover decreased for the financial year ending 2019/2020. Aggressive interventions have since been implemented with a view to

improving performance as well as profitability. As part of the restructuring initiatives and government plans to transform the agriculture sector, At the beginning of the financial Year 2019/2020, a five year plan termed Tsosoloso strategy was developed and adopted for implementation with a vision to establish a 'One Stop Shop of Choice' for agricultural products and services by Year 2024.

The strategy was mainly project based with identification of specific project geared towards addressing the organisation's financial challenges, improving efficiency and effectiveness. Some of the projects implemented are:

1. Launch of the Bushvet Services
2. Introduction of horticultural Products and services
3. Business process mapping
4. Animal Feed Mill
5. Culture Change initiative

Human Capital

Employees remain a treasured asset to the Board and as we evolve, Culture Change becomes one of the key component in achieving overall organisational excellence. The Culture Change project under the Tsosoloso 2019-2024 strategy, aims at restoring brand loyalty within the teams. There is still need to do more to achieve the desired outcome and build a desired level of healthy environment for employees to remain productive by work smarter and harder to build

a resilient organization.

BAMB Staff compliment at the start of 2019, was at 289 and by March 2020 the staff compliment was at 304. BAMB continues in its bid to capacitate the Board with competent staff members to grow the organization and remain relevant.

Corporate Social Investment (CSI)

Botswana Agricultural Marketing Board has in the past extended assistance by providing grains and pulses to various government and non-government entities to show its commitment and support towards social responsibility initiative. The assistance was mostly extended to communities where BAMB branches are located.

Future Outlook

The Board remains optimistic towards the attainment of the expected outcomes of the Tsosoloso strategy implementation. It is committed to ensuring that appropriate technology is availed for purposes of improving overall service delivery to valued customers and reduce the associated costs. Meeting the needs of stakeholders and customers remains paramount to the successful performance of the Board. It is therefore necessary that a deliberate decision to frequently engage with the stakeholders has been taken and will be given the highest priority to assist the Board execute its mandate better and as expected.

CHIEF EXECUTIVE OFFICER'S STATEMENT (Cont.)

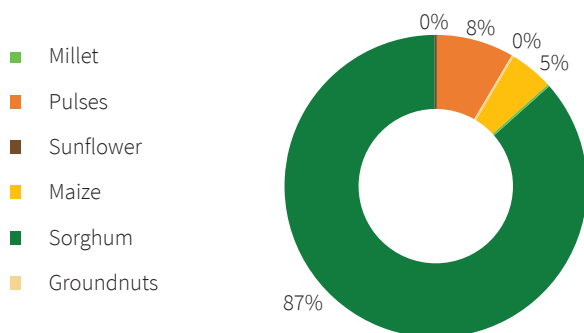
Financial Performance (Pula /Millions)

	2020	2019	2018	2017	2016
Sales of goods	402,828,698	311,892,729	269,291,461	386,206,519	318,524,795
SGR Management fees	18,324,973	16,677,496	16,677,120	14,464,482	13,835,894
Total Revenue	421,153,671	328,570,225	285,968,581	400,671,001	332,360,689
Profit/(Loss)	(40,734,708)	70,767,769	(65,363,721)	19,959,414	34,041,625

Harvest Purchases (mt)

	2020	2019	2018	2017	2016
Maize Yellow	765	5,850	9,697	4,461	1,102
Maize - White	1,648	4,093	7,014	931	463
Sorghum	37,715	25,660	24,681	23,062	29,688
Millet	5	18	240	214	-
China Peas	72	39	19	94	-
Other Cowpeas	3,736	4,054	7,731	8,845	6,930
Sunflower	210	65	97	23	1
Total	44,151	39,779	49,479	37,630	38,184

2020 Harvest Purchases



Value of Harvest purchased (P/millions)

	2020	2019	2018	2017	2016
Value	139,185,349	122,253,880	209,022,787	202,258,974	170,315,944

CHIEF EXECUTIVE OFFICER'S STATEMENT (Cont.)

Producer and Contract Pricing (Pula/ Mt/bag)

Year Product/Price	2020 Price/Ton Price/Bag	2019 Price/Ton Price/Bag	2018 Price/Ton Price/Bag	2017 Price/Ton Price/Bag	2016 Price/Ton Price/Bag
Sorghum	2,600 130	2,650 132	2,000-2,550 100-127	2,700 135	2,700 135
White Maize	2,500 125	2,500 125	1,495 - 2,400 74-120	2,400 120	2,500 125
Yellow maize	2,500 125	2,500 125	1,495 - 2,400 74-120	- -	- -
Millet	3,100 155	3,100 155	3,100 155	3,000 150	2,750 137
China Peas/Letlhodi	8,100 405	- -	- -	- -	- -
Other Cowpeas	9,000 450	14,000 700	14,000 700	14,000 700	14,000 700
Sugar Beans	10,000 500	14,000 700	14,000 700	14,000 700	14,000 700
Black Eye Beans	9,000 450	14,000 700	14,000 700	14,000 700	14,000 700
Jugo Beans/ Ditloo	12,000 600	9,000 - 14,000 450-700	12,000 - 14,000 600-700	12,000 600	10,000 - 12,000 500-600
Groundnuts/ Manoko	12,000 600	9,000 - 14,000 450-700	12,000 - 14,000 600-700	12,000 600	10,000 - 12,000 500-600
Sunflower	3,800 114	2,000 - 3,099 -	2,000 - 4,000 -	2,817 -	1,745 - 2,817 -

Human Resource Management

BAMB staff compliment at the start of the financial year was at 289 and by the year end of 2020, it had increased to 304. BAMB continues in its bid to capacitate the Board with competent staff members to grow the organization and remain relevant.

Projects

BAMB implemented the Tsosoloso Strategy beginning Year 2019/2020 with a vision to establish it as a 'One Stop of Choice' for agricultural products and services by Year 2024.

The organisation identified strategic projects to implement in order to improve its efficiency and effectiveness.

1. Launch of the Bushvet Services
2. Introduction of horticultural Products & services
3. Culture Change initiative
4. Business process mapping
5. Animal Feed Mill



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MANAGEMENT TEAM



Dr. Benjamin Ditsele | Chief Executive Officer



Ms Dinah Kesebonye
Head of Finance



Mr Hlubi Gilika
Head of Digital Transformation



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MANAGEMENT TEAM



Ms Oabona Dadani

Head Commercial & Business Development (Acting)



Mr. Tumelo Keitumetse

Head of Internal Audit



Ms Onkemetse Thomas

Board Secretary



Ms Melitah Kebuang Seago

Head of Operations (Acting)



Ms Gaone Macholo

Head of Human Resources

BAMB BOARD GOVERNANCE AND STRUCTURE

Internal Audit

BAMB Board of Directors is committed to ensuring that an effective and sound system of internal controls is in place and is adequately implemented at all times. In recognition of the need to implement an effective system of controls, BAMB has established an independent Internal Audit Department which reports functionally to the Board and administratively to the Chief Executive Officer. This independence has been fully substantiated in the approved Audit and Risk Committee and Internal Audit Charters.

Risk Management

Risk management forms an integral part of BAMB business philosophy. The Board of Directors recognises that risk management is a journey, and the Enterprise Risk Management (ERM) maturity assessments are presented annually to the Board with recommended strategies on how to continuously improve awareness on risk management. The Board is acutely cognisant of the need for sound risk management and continuously ensures that keys risks are identified, analysed, and presented quarterly to the Board in an endeavour to add value to BAMB stakeholders. To provide oversight on risk management process, the Board has approved an ERM Framework which governs risk management process in BAMB.

BAMB is exposed to the following main risks.

RISK CATEGORY	RISK DESCRIPTION	RISKS
Strategic	Those risks that are most consequential to the organization's ability to execute its strategies and achieve its business objectives.	<ul style="list-style-type: none"> - Sustainability - Corporate Governance - Communication - Stakeholder - Product Technology and innovation
Operational	Operational/internal process risks are the risks that are faced in the day-to-day delivery of BAMB's products and services and the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.	<ul style="list-style-type: none"> - Supply Chain - Compliance - Information technology - Legal - Human resource - External
Financial Risks	Risks associated with ensuring good financial governance within BAMB and the risk of inadequate cash flow to meet financial obligations and accurately accounting for financial transactions.	<ul style="list-style-type: none"> - Commodity price - Liquidity - Market - Currency - Credit/ counterparty - Equity - Interest rate
Project Risks	Project risks are those risks that can influence and prevent the achievement of project goals and objectives.	<ul style="list-style-type: none"> - Commensurate with each project risk assessments

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 assist 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 eight (8) non-executive Members and a non-executive Board Chairperson, in line 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. Board Members are experts in various fields including; accounting and finance, strategy, law, arable farming and horticulture.

The table below sets out the composition of the Board and the membership of each Board Committee during the year under review.

	Board of Directors	Audit and Risk Committee	Human Resources	Board Tender Committee	Value Chain Committee
Dr Gloria Somolekae	✓				
Mrs Ruth Mphathi (Chairperson)	✓	✓		✓	
Ms Ogone Madisa-Kgwarae	✓	✓			
Ms Zibo Nthobatsang	✓		✓		✓
Mr Devin Wheeler	✓			✓	✓
Mr Quett Rabai	✓			✓	✓
Mr Modisa Kebonyemodisa	✓		✓	✓	
Mr Duke Masilo	✓	✓	✓		
Mr Thabang Botshoma	✓		✓		✓

Board and Committee Meetings

The Board and its Committees meet at least four times annually as prescribed by Section 7(1) of the Act and Board Charter 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.

The meetings are facilitated by the Board Secretary and are scheduled for the financial year in advance. However, special meetings may be convened at the request of the Chairperson or any independent non-executive Director, when necessary. Timely, relevant and accurate information is provided to the Board. The minutes of the Board are circulated for comment and accordingly approved in subsequent meetings.

BAMB BOARD GOVERNANCE AND STRUCTURE (Cont.)

A summary of meetings and attendance by Directors for the financial year 2019/2020 is indicated below;

	Board of Directors	Audit and Risk Committee	Human Resources	Board Tender Committee	Value Chain Committee
Dr Gloria Somolekae	3/5				
Mrs Ruth Mphathi (Chairperson)	5/5	7/7		2/2	
Ms Ogone Madisa-Kgwarae	2/5	6/7	3/3		
Ms Zibo Nthobatsang	5/5		3/3		3/3
Mr Devin Wheeler	3/5			2/2	3/3
Mr Quett Rabai	3/5			1/2	3/3
Mr Modisa Kebonyemodisa	3/5		2/3	2/2	
Mr Thabang Botshoma	3/5		2/3		2/3
Mr Duke Masilo	2/5	3/7			

The Board delegates certain functions to well - structured Committees but 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;

Audit and Risk Committee

The Audit and Risk Committee is chaired by Mrs Ruth Mphathi. The other Committees members are Ms Ogone Madisa-Kgwarae and Mr Duke Masilo. Its role is to provide the Board with additional assurance regarding its responsibilities to oversee the financial reporting process, risk management to ensure the balance 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 Mr Modisa Kebonyemodisa. Its other members are Mrs Ruth Mphathi, Mr Devin Wheeler 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 of the Committee are Ms Zibo Nthobatsang, Mr Thabang Botshoma, and Mr Modisa Kebonyemodisa.

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 for Directors and senior Executives.

BAMB BOARD GOVERNANCE AND STRUCTURE (Cont.)

Value Chain Committee

The Chairperson of the Value Chain Committee is Mr Quett Rabai. Its other members are Mr Thabang Botshoma, Mr Devin Wheeler and Ms Zibo Nthobatsang.

The role of Value Chain Committee's 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 interests 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

To improve corporate governance and enhance the Board's accountability, the Organisation adopted the King III code of Corporate Governance as the Board appreciates that effective governance is a key driver of sustainability and acknowledges its responsibility in this regard. The Statement below, which is based on the King III code of Corporate Governance, measures the degree of the Organisation's compliance with this Code. The Organisation has assessed its governance structure against the principles of this code and concluded that it is substantially compliant.

Key:

Full Compliance	✓
Partial Compliance	P
Not Done	X

KING III CHAPTER	KING III PRINCIPLE	2019	2020	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 and effective leadership.
1.2	The Board should ensure that the Organisation is and seen to be a responsible corporate citizen.	P	P	While the Board embraces the concept of Corporate Social Responsibility, limitations of financial resources was a constraint in the period under-review. The outbreak of COVID-19 worsened the situation. However, more needs to done even under the circumstances. This is therefore partly achieved.

BAMB BOARD GOVERNANCE AND STRUCTURE (Cont.)

KING III CHAPTER	KING III PRINCIPLE	2019	2020	COMMENT
1.3	The Board should ensure that Organisation's ethics are managed effectively.	✓	✓	The Organisation complies with BAMB Code of Ethics. The Organisation's compliance Officer ensures that the ethics are managed effectively by ensuring consistent monitoring, assessment and reporting of compliance to the required provisions. The Organisation's ethics are managed through the Audit and Risk Committee.
	Chapter 2- Boards and Directors			
2.1	The Board should Act as the focal point for and custodian of corporate governance.	✓	✓	The Board is committed to and fully applies good principles of corporate governance. The Board has a Board Charter in place setting out its responsibilities. The Board's Committees are also governed by Committee Charters and Terms of Reference approved by the Board. The Board and its sub-committees meet regularly; and the Board charter through the overall corporate governance framework ensures that this area is well managed.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	✓	Following the approval of the 2019-2024 Strategy by the Board, Management reported to the Board on quarterly basis for purposes of tracking progress on the implementation of the Strategy. 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 provides effective leadership through its Board and other Charters. The Code of Ethics referred to in reference 1.3 above ensure that a conducive ethical culture is cultivated. The code of ethics guides the Organisation to conduct business ethically.
2.4	The Board should ensure that the Organisation is and seen as to be a responsible citizen.	P	P	While the Board recognises the concept of Corporate Social Responsibility, limitations of financial resources was a constraint in the period under review. This is therefore partly achieved
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.)

KING III CHAPTER	KING III PRINCIPLE	2019	2020	COMMENT
2.6	The Board should ensure that the Organisation has an effective and independent Audit Committee.	✓	✓	The Audit and Risk Committee comprises of three (3) Independent Non-Executive Directors. The ARC meets at least four times in a year and reports to the Board during its quarterly meetings.
2.7	The Board should be responsible for the governance of risk.	✓	✓	The ARC which reports directly to the Board, monitors and manages the Organisation's
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 Board ensures that the Organisation complies with applicable laws and non-binding rules and codes. All compliance matters are reported through a Compliance Framework and are reviewed on a quarterly basis.
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 Organisation's integrated reporting.	X	X	The Organisation is due to produce the Integrated Report 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.

BAMB BOARD GOVERNANCE AND STRUCTURE (Cont.)

KING III CHAPTER	KING III PRINCIPLE	2019	2020	COMMENT
2.14	The Board and its Executive Management should act in the best interest of the Organisation.	✓	✓	Upon appointment, every Director is given the Organisation's Board Charter specifying their duties in accordance with the Companies Act, Committees Terms of Reference, the Act, Regulations, Codes and Annual Report. Real and perceived conflicts of interest are declared annually and during Board meetings.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is distressed.	✓	✓	The Board monitors the Organisation's liquidity position on a quarterly basis by receiving the Organisation's cash position and cash forecasts. The Board assesses that the Organisation operates as a going concern on an annual basis.
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 BAMB 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 Board subject to the approval of the Minister of Agricultural Development and Food Security in accordance with Section 9 (1) of the Act. Delegation framework was approved by the Board and is in place to clearly draw a line between the responsibilities of the Board and those of the CEO. 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.	X	X	The Organisation's Board of Directors is wholly non-executive and independent. No balance of power as the executive directors are not represented.
2.19	Directors should be appointed through a formal process.	X	X	No formal process in place because Board Members are appointed in terms of the 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.

BAMB BOARD GOVERNANCE AND STRUCTURE (Cont.)

KING III CHAPTER	KING III PRINCIPLE	2019	2020	COMMENT
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 a lawyer and has the requisite experience for the job as required by Section 162 of the Companies Act and King III Code of Corporate Governance
2.22	The evaluation of the Board its Committee and the individual Directors should be performed every year.	X	✓	Evaluation of the performance of the Board and its Committees was performed and the same was the first evaluation.
2.23	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities.	✓	✓	All Board Committees' Chairpersons and Vice-Chairpersons are Members of the Board and Board Committees operate within their set Terms of Reference. The responsibilities of the committees are delegated through Terms of Reference approved by the Board.
2.24	A governance framework should be agreed between the group and its subsidiary boards.	X	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. Compared to the private sector, the allowances are very low. The Executives' remuneration is determined by the Board in compliance with the Conditions of Service.
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.
	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 and Risk 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.

BAMB BOARD GOVERNANCE AND STRUCTURE (Cont.)

KING III CHAPTER	KING III PRINCIPLE	2019	2020	COMMENT
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 committee comprises of two Chartered Certified Accountants serving and an admitted attorney. 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 Audit and Risk Committee is chaired by an independent non-executive director
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	✓	✓	Both reports of the Internal Audit as conducted by the Internal Audit Department and the External Auditors, respectively are presented to the Audit and Risk Committee.
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Organisation's finance function.	P	P	The Audit and Risk Committee review of the staffing requirements and the capacity of the function to deliver in accordance with the mandate is to be conducted during 2021/2022 financial year.
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 and Risk Committee recommends the appointment and re-appointment of the External Auditors to the Board for approval. The appointment and re-appointment of the External Auditors is a standing agenda item at every first meeting of the Committee.
3.10	The Audit Committee should report to the Board and Shareholders on how it has discharged its duties.	✓	✓	The Audit and Risk Committee reports to the Board on a quarterly basis on how it has discharged its duties.

BAMB BOARD GOVERNANCE AND STRUCTURE (Cont.)

KING III CHAPTER	KING III PRINCIPLE	2019	2020	COMMENT
	Chapter 4 – Governance of Risk			
4.1	The Board should be responsible for the Governance of risk.	✓	✓	The Board provides oversight over risk governance through the Audit and Risk Committee. The Board provides oversight to this process as disclosed under risk management section of the Audit and Risk Committee report.
4.2	The Board should determine the levels of risk tolerance.	P	P	The Board shall determine the level of risk tolerance according to the Enterprise Risk Framework once 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 and Risk Committee in carrying out its risk responsibilities. The Chairman 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 and Risk Committee provides the necessary oversight.
4.5	The Board should ensure that the risk assessments are performed on a continual basis.	P	P	Risk assessments are performed on a quarterly basis and reported to the Board. The Audit and Risk Committee receives updates every quarter to assess non-compliant areas and are reported to the Board.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risk.	P	P	The Board provides oversight over risk governance through the Audit and Risk Committee. The Draft Enterprise Risk Management Framework is yet to be approved by the Board.
4.7	The Board should ensure that Management considers and implements appropriate risk responses.	✓	✓	The Board provides oversight over risk governance through the Audit and Risk Committee. Risk responses are assessed and reported to the Board.
4.8	The Board should ensure continual risk monitoring by Management.	✓	✓	Risk reports are submitted to the Audit and Risk Committee for consideration.

BAMB BOARD GOVERNANCE AND STRUCTURE (Cont.)

KING III CHAPTER	KING III PRINCIPLE	2019	2020	COMMENT
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	✓	✓	The Audit and Risk Committee presents risk update reports comprising of mitigation strategies at all its meetings with the Board.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant and accurate and accessible risk disclosure to stakeholders.	P	P	A summary of risks and risk oversight is provided in the report under the Audit Committee report.
	Chapter 5 - Governance of Information and Technology			
5.1	The Board should be responsible for the information and technology governance.	✓	✓	The Board has delegated the responsibility of overseeing Information Technology to the Audit and Risk Committee. The Audit and Risk Committee places IT governance as one of the strategic objectives and monitors IT risks.
5.2	IT should be aligned with the performance and sustainability objectives of the Organisation.	✓	✓	The Board recognises IT as an enabler to achieving the mandate of the Organisation and IT plans are in alignment with the overall BAMB Strategy.
5.3	The Board should delegate to Management the responsibility for the implementation of an IT governance framework.	P	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.
5.5	IT should form an integral part of the company's risk management.	✓	✓	IT is one of the principal risk areas that are managed through the Enterprise Risk Management. IT risks are separately identified in order to curb against business disruptions and ensure business continuity.
5.6	The Board should ensure that IT assets are managed effectively.	✓	✓	The Board through Management ensures that processes are in place to ensure information assets are effectively managed.

BAMB BOARD GOVERNANCE AND STRUCTURE (Cont.)

KING III CHAPTER	KING III PRINCIPLE	2019	2020	COMMENT
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	✓	✓	IT progress reports are presented at the Audit Committee meetings 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. All compliance matters are reported through a Compliance Framework and reviewed on a quarterly basis.
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 and the compliance framework.
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 has been 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.	✓	✓	A written assessment of internal controls is issued to the Audit and Risk Committee 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.

BAMB BOARD GOVERNANCE AND STRUCTURE (Cont.)

KING III CHAPTER	KING III PRINCIPLE	2019	2020	COMMENT
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.	✓	✓	BAMB has an effective Internal Audit function which reports to the Audit & Risk Committee 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-Integrated Reporting and Disclosure			
9.1	The Board should ensure the integrity of the Organisation's integrated report.	X	X	The first integrated report will be produced in 2022/2023 financial year.
9.2	Sustainability reporting and disclosure should be integrated with the Organisation's financial reporting.	X	X	The first integrated report will be produced in 2022/2023 financial year.
9.3	Sustainability reporting and disclosure should be independently assured.	X		The first integrated report will be produced in 2022/2023 financial year.





SMART FARMING 4.0
THE NEXT STEP IN FEEDING THE NATION



Botswana Agricultural Marketing Board

ANNUAL FINANCIAL STATEMENTS

for the year ended March 2020

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GENERAL INFORMATION

Country of Incorporation and Domicile:	Botswana
Nature of business and principal activities:	The Board is a body corporate established under the Botswana Agricultural Marketing Board Act (CAP 74:06), to market grain and agricultural produce in Botswana.
Members of the Board	<ul style="list-style-type: none">- Tally Tshekiso (Chairperson) (Appointed 1st March 2021) Dr Gloria Somolekae (Chairperson) (Term ended 30th April 2020)- Ms Ruth Mphathi (Deputy Chairperson)- Mr Modisa Kebonyemodisa (Term ended 30th April 2020) Ms Zibo Nthobatsang (Term ended 28th February 2021 and re-appointed 1st March 2021)- Mr Quett Rabai (Term ended 28th February 2021 and reappointed 1st March 2021)- Ms Ogone Madisa-Kgwarae (Term ended 28th February 2021 and re-appointed 1st March 2021)- Col. Duke Masilo (Term ended 30 April 2020)- Mr Devin Wheeler- Mr Thabang Botshoma- Mr Gaamangwe Maruatona (Appointed 1st March 2021) Mrs Olebile Daphney Muzila (Appointed 1 December 2020)- Mr Phillip Setiko (Appointed 1st December 2020)
Board 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:	Bank Gaborone Limited Standard Chartered Bank Botswana Limited Absa Bank Botswana Limited First National Bank Botswana Limited
Registration number	687900
Measurement and Presentation Currency:	Botswana Pula

THE BOARD`S RESPONSIBILITY AND APPROVAL OF THE 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.

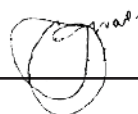
The Board is satisfied that Management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the Annual Financial Statements, to safeguard the assets of the Botswana Agricultural Marketing Board, and to ensure that all transactions are duly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

Against this background Board accepts responsibility for the Annual Financial Statements on pages 38 to 91, which were signed on its behalf by;



Mr Tally Tshenkiso
Board Chairperson

Date of Approval
29/06/2021



Ms Ogone Madisa-Kgwarae
Audit and Risk Committee Chairperson

Date of Approval
29/06/2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE BOARD OF BOTSWANA AGRICULTURAL MARKETING BOARD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Botswana Agricultural Marketing Board (The Board) set out on pages 38 to 91 which comprise the statement of financial position as at 31 March 2020 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 give a true and fair view of the financial position of the Botswana Agricultural Marketing Board as at 31 March 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Botswana Agricultural Marketing Board Act (Cap 74:06).

Basis of 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 Annual Financial Statements section of our report. We are independent of the Board in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with other ethical requirements that are relevant to our audit of financial statements in Botswana. 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	How the matter was addressed in the audit
<p>Initial adoption of IFRS 16 - Leases</p> <p>The Board adopted IFRS 16 - Leases ("IFRS 16"), for the first time during the financial year ended 31 March 2020 to recognise, measure, present and disclose leases.</p> <p>In accordance with the requirements of IFRS 16 the Board re-assessed the way in which it accounts for operating leases.</p> <p>Whereas such leases had previously been accounted for by straight-lining all unavoidable contractual lease payments over the lease term, the application of IFRS 16 required the Board to recognise a lease liability reflecting the estimated present value of future lease payments and a right-of-use asset for the majority of such lease arrangements. In applying IFRS 16 for the first time the Board adopted a modified retrospective approach in transitioning to the new standard. Under this method, the standard is applied retrospectively with</p>	<p>Our audit procedures included, amongst others the following:</p> <ul style="list-style-type: none"> We evaluated management's policies and processes put in place to capture and process the respective active leases in light of the requirements of the accounting standard; We tested the completeness of the lease arrangements included in the computations by comparing lease commitments as at 31 March 2019 to the lease payments reflected in the IFRS 16 lease calculations, inspecting minutes of board meetings to identify new lease agreements, assessing the residual lease expenses not included in the measurement of the lease liability, for example, lease payments in relation to low value assets and short-term leases

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STRATEGIC GRAIN RESERVE

Key Audit Matter	How the matter was addressed in the audit
<p>the cumulative effect of initially applying the standard recognised at the date of initial application.</p> <p>The adoption of IFRS 16 resulted in the recognition of right-of-use assets of P4. 7million (2019: PNil) and lease liabilities of P5million (2019: PNil) at 1 April 2019.</p> <p>The adoption of IFRS 16 was considered to be a matter of most significance to the current year's audit due to the first-time adoption of IFRS 16, the significant volume of arrangements that had to be assessed whether it contained a lease, the significance of the impact of the judgement applied by management, the relative complexity of measurement calculations and implicit requirement for completeness; accuracy and reasonableness of data input into the IFRS 16 calculation.</p> <p>In determining the impact, management applied judgements to conclude on certain key inputs into the calculations, namely the determination of the lease term where there are multiple renewal options and the determination of the incremental borrowing rate. A number of these lease contracts include renewal options for an unlimited number of renewal periods and did not specify non-lease components.</p> <p>Significant judgement was made in the determination of whether an arrangement contains a lease, whether there is an identifiable asset, whether the Board had the right to obtain substantially sole use of the asset throughout the period of the lease arrangement.</p> <p>Disclosures with respect to the application of IFRS 16 leases are disclosed in:</p> <ul style="list-style-type: none"> • The "Summary of significant accounting policies" • Note 17.1 "Deferred Lease Liability" • Note 17.2 "Right-of-use assets" 	<ul style="list-style-type: none"> • We tested the mathematical accuracy of management's lease liability and right of use asset computations; • For a sample of leases: • We reviewed and assessed the terms and conditions of the underlying contract and evaluated management's identification of relevant leases to determine whether the leases were correctly considered for adoption as required by the standard; • We evaluated whether there is an identifiable asset and considered whether the Board had the right to obtain substantially sole use of the asset throughout the period of use particularly on the indefeasible right of use arrangement. • We assessed the appropriateness of the judgements applied to the lease term through considering the terms and conditions of the underlying contract, factors such as the Board's business planning cycle, past history of terminating or not renewing a lease, how far into the future the renewal option is exercisable and the likelihood of that option being exercised. • We tested the accuracy of the underlying lease data by agreeing the information to original contracts; • We agreed lease payments to the underlying lease contracts after taking into account any allocation between lease and non-lease components and; • We evaluated the appropriateness of the incremental borrowing rate by benchmarking against the borrowing rates prevalent in the country. • We evaluated the completeness and accuracy of the disclosures in accordance with the requirements of IFRS 16: Leases
<p>Expected credit losses ("ECL") on trade and other receivables</p> <p>As at 31 March 2020, the Board recognised net trade and other receivables of P73,7 million (2019 - P69,5 million) net of expected credit loss allowances of P10,4 million (2019 - P95,7 million).</p> <p>In the current period key changes were made to the ECL provision calculation based on estimates of COVID-19 induced pressures on customers.</p> <p>Management updated the Loss Given Default (LGD) in the current period to take into account changes in the weakening data trends and recoverability profiles from the prior year to the current year.</p>	<p>Our audit procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of management's processes over credit origination, credit monitoring and credit remediation by evaluating the Board's impairment methodology; • We evaluated 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 and evaluated the assumptions applied in the calculation of allowances for impairment through discussion with management and by an

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STRATEGIC GRAIN RESERVE

Key Audit Matter	How the matter was addressed in the audit
<p>Management assessed the recoverability of trade and other receivables by reviewing the credit exposure aging profile, credit history and status of subsequent settlement, and determined whether an impairment provision was required.</p> <p>Expected loss rates were based on the payment profile of trade and other receivables over the past 24 months before 31 March 2020 as well as corresponding credit losses during the period. These rates were then adjusted to reflect the current and anticipated future macroeconomic factors affecting the customers' ability to pay the outstanding amount.</p> <p>The determination of the Expected Credit Losses (ECLs) was highly subjective and required management to make significant judgements and assumptions. Furthermore, models used to determine credit impairments are complex.</p> <p>The Board applies the simplified approach and recognises lifetime ECLs for trade and other receivable balances.</p> <p>Disclosures with respect to trade and other receivables are disclosed in;</p> <ul style="list-style-type: none"> The summary of significant accounting policies Note 5 "Trade and other receivables" Note 26 "Risk management" 	<p>evaluation of management's grouping of data for input into the models;</p> <ul style="list-style-type: none"> 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, the weightings applied to each scenario and evaluating the appropriateness of the data given in light of entity specific information and economic projections; We assessed the reasonableness of the expected credit losses provision arising from the COVID-19 impact by evaluating the likelihood of default and payment patterns of customers. On a sample basis, we assessed the reasonability of the updated LGD through re-computation and confirming the recoverability of receivables through subsequent receipts testing; We assessed the disclosures regarding the allowance for impairment of trade and other receivables in the financial statements to determine whether they were in accordance with the requirements of IFRS 9, Financial Instruments.

Other Information

Other information comprises the information included on page 1 of the document titled "Botswana Agricultural Marketing Board Annual Financial Statements for the year ended 31 March 2020", which includes the Botswana Agricultural Marketing Board's Responsibility and Approval of the 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 Members of the Board are responsible for the other information. 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 report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the 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 the requirements of 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 Board's ability to continue as a going concern,

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STRATEGIC GRAIN RESERVE

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 Board or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the 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.

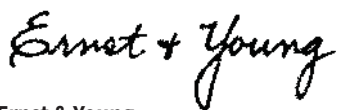
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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 the 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 benefits of such communication.



Ernst & Young
Practising member: Thomas Chitambo
Partner
Membership number: 20030022
Certified Auditor
2nd Floor, Plot 22, Khama Crescent, Gaborone
8 July 2021



STATEMENT OF FINANCIAL POSITION

		As At 31 March	
	Notes	2020	2019
		Pula	Pula
ASSETS			
Non current assets			
Property, plant and equipment	2.1	84,377,561	81,074,147
Work in Progress	2.3	-	325,612
Investment property	2.2	22,900,000	22,800,000
Right of Use Asset	17.2	2,850,623	-
		110,128,184	104,199,759
Current assets			
Inventories	4	100,282,571	107,142,115
Trade and other receivables	5	73,693,078	69,533,517
Cash and cash equivalents	6	1,932,788	579,512
		175,908,437	177,255,143
TOTAL ASSETS		286,036,621	281,454,903
EQUITY AND LIABILITIES			
Equity			
Government equity	7.1	27,455,061	27,455,061
Revaluation Reserve	7.2	71,134,419	73,287,275
Stabilization Fund	7.3	-	9,017,668
Development Fund	7.4	1,000,000	1,000,000
Retained earnings		(100,588,702)	(62,006,849)
Total equity		(999,222)	48,753,154
LIABILITIES			
Non Current Liabilities			
Bank Loan	8	50,148,116	-
Lease liability	17.2	1,362,573	-
		51,510,689	-
Current Liabilities			
Bank Loan	8	-	41,200,000
Bank overdraft	11.2	38,157,225	124,722,793
Trade and other payables	11	177,117,862	48,728,200
Income Tax payable	11.1	2,858,485	2,099,219
Deferred income	9	7,164,700	7,164,700
Provisions	12	8,563,247	8,563,247
Deffered Lease liability	17.1	-	223,589
Lease liability	17.2	1,663,635	-
		235,525,155	232,701,749
TOTAL LIABILITIES		287,035,843	232,701,749
TOTAL EQUITY AND LIABILITIES		286,036,621	281,454,903

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 Pula	2019 Pula
Revenue from contract with customers	14	421,153,671	328,570,225
Costs of sales	15	(350,840,638)	(273,957,806)
Gross Profit		70,313,034	54,612,419
Other income	16	13,987,131	42,790,419
Operating expenses	18	(96,557,021)	(81,092,440)
Impairment losses/reversals of impairment losses	5	(18,478,913)	70,346,290
Operating profit / (loss)		(30,735,769)	86,656,687
Finance income	19	88,938	174,331
Finance costs	20	(10,087,877)	(16,063,250)
Profit / (Loss) for the year before tax		(40,734,708)	70,767,769
Income tax expense	23	-	-
Profit / (Loss) for the year		(40,734,708)	70,767,769
Other comprehensive income / (loss) for the year		(40,734,708)	70,767,769
Total Comprehensive income		(40,734,708)	70,767,769



Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March

	Notes	Government Equity	Revaluation Reserve	Stabilization Fund	Development Fund	Accumulated Funds	Total Equity
		Pula	Pula	Pula	Pula	Pula	Pula
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)	(22,014,614)
Profit for the period		-	-	-	-	70,767,769	70,767,769
Total comprehensive income		-	-	-	-	70,767,769	70,767,769
Depreciation transfer	7	-	(2,152,856)	-	-	2,152,856	-
As at 31 March 2019		27,455,061	73,287,275	9,017,668	1,000,000	(62,006,849)	48,753,154

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March

	Notes	Government Equity	Revaluation Reserve	Stabilization Fund	Development Fund	Accumulated Funds	Total Equity
		Pula	Pula	Pula	Pula	Pula	Pula
As at 01 April 2019	7	27,455,061	73,287,275	9,017,668	1,000,000	(62,006,849)	48,753,154
Profit for the period		-	-	-	-	(40,734,708)	(40,734,708)
Total comprehensive income		-	-	(9,017,668)	-	-	(9,017,668)
Depreciation transfer	7	-	(2,152,856)			2,152,856	-
As at 31 March 2020		27,455,061	71,134,419	-	1,000,000	(100,588,702)	(999,222)



Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

STATEMENT OF CASH FLOWS

	Notes	Year Ended 31 March	
		2020 Pula	2019 Pula
Cash flows from operating activities			
(Loss) / Profit for the year		(40,734,708)	70,767,769
Adjustments for:			
Depreciation	2	8,804,339	8,655,012
Utilization of the stabilization fund	16	(9,017,668)	-
Increase in Provision for probable losses	12	-	7,500,000
Unrealised exchange differences		(3,712,116)	(1,642,561)
Net effect of straight-line rental	17.1	-	223,589
Finance income	19	(88,938)	(174,331)
Finance costs	20	10,087,877	16,063,250
(Gain)/ Loss on revaluation investment property	2.2	(100,000)	465,000
Changes in working capital:			
Decrease in inventories		6,859,544	51,914,492
(Increase) in trade and other receivables		(4,159,562)	(23,340,373)
Increase/(Decrease) in trade and other payables		132,101,778	(8,229,695)
Cash generated from(used in) operations		100,040,547	122,202,153
Interest received	19	88,938	174,331
Interest paid	20	(10,087,877)	(16,063,250)
Tax paid		759,266	(1,236,752)
Net cash used in / (from) operating activities		90,800,874	105,076,482
Cash flows from investing activities			
Purchase of property, plant and equipment	2.1	(10,207,667)	(2,505,323)
Work in progress	2.3		(325,612)
Net cash used in / (from) investing activities		(10,207,667)	(2,830,935)
Cash flows from financing activities			
Finance Cost			
Cash received from borrowings		52,400,000	-
Loan repayments		(43,451,884)	(101,050,882)
Lease Liability- Principal Payment	17.2	(1,935,440)	
Net cash flows from/ (used in) financing activities		7,012,676	(101,050,882)
Net increase in cash and cash equivalents		87,918,518	1,194,505
Cash and cash equivalents at beginning of year		(124,143,281)	(125,337,944)
Effects of exchange rates changes on cash and cash equivalents		327	159
Cash and cash equivalents at end of the year		(36,224,436)	(124,143,281)

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

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 consistently applied, unless otherwise stated.

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

Botswana Agricultural Marketing Board does not have control over the Strategic Grain 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 Botswana Agricultural Marketing Board has no financial investments in the Strategic Grain Reserve, and the Government of Botswana through the Ministry of Agriculture owns the strategic grain reserves.

The Botswana Agricultural Marketing Board's management runs and manages the Strategic Grain 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 Botswana Agricultural Marketing 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 Strategic Grain Reserve and the Botswana Agricultural Marketing Board have common employees, as the Botswana Agricultural Marketing Board has been appointed as the agent to manage the Strategic Grain Reserve. Therefore, the Botswana Agricultural Marketing Board has no control over the Strategic Grain Reserve, nor is it its parent entity, control lies with the Government of Botswana as such the Botswana Agricultural Marketing Board and the Strategic Grain 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:

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.2.1 Trade receivables (continued)

Measurement of the expected credit loss allowance (Cnt.)

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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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.

1.2.5 Provisions

Provisions are recognized when the Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing Board measures property plant and equipment at revalued amounts with changes in fair value

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**1.2.6 Revaluation of property, plant and equipment (continued)**

being recognised in OCI. The Botswana Agricultural Marketing 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 2020, 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.

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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.3 Property, plant and equipment (continued)

Property, plant and equipment is subsequently carried at revalued amounts less accumulated depreciation and any impairment losses, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. 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
Freehold Land	50 years
Land & Buildings	40 years
Furniture & Fixtures	3 - 5 years
Motor Vehicles	3 - 5 years
Plant and machinery	5 years
Right to use Assets	Shorter of lease term and the useful life of the underlying asset

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

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Property, plant and equipment may be derecognised when either the item of property plant and equipment is disposed of or no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Consumables and loose tools are written off in the year of purchase.

1.4 Financial assets and liabilities

1.4.1 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.

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.4 Financial assets and liabilities (continued)

1.4.1 Measurement methods (continued)

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 Botswana Agricultural Marketing 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.

1.4.2 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.

1.4.3 Financial assets

Classification and subsequent measurement

Financial assets are classified at amortised cost, the classification requirements for debt measured at amortised cost are described below:

1.4.4 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 Botswana Agricultural Marketing Board's business model for managing the asset; and
- The cash flow characteristics of the asset.

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

1.4.5 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 Botswana Agricultural Marketing Board's objective is solely to collect the contractual cash flows from the assets or is to collect both the

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.4.5 Amortised cost (continued)

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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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.

1.4.6 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.

1.4.7 Impairment of financial assets

The Botswana Agricultural Marketing 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 Botswana Agricultural Marketing Board 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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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.

1.4.8 Derecognition of financial assets

The Botswana Agricultural Marketing 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.

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.4.8 Derecognition of financial assets (continued)

If the Botswana Agricultural Marketing Board neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Botswana Agricultural Marketing 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.

1.4.9 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.

1.4.10 Derecognition of financial liabilities

Botswana Agricultural Marketing Board derecognises financial liabilities when, and only when, the Botswana Agricultural Marketing 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.5.1 Deferred taxation (continued)

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 (Applicable for period before 1 April 2019)

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.

1.6.2 Lease Liabilities – 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.

1.6.4 Leases (Applicable for periods after 1 April 2019)

The Board assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

Leases of low value assets; and
Leases with a duration of twelve months or less.

1.6.5 Right-of-use assets

The Board recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 3 to 15 years
- Motor vehicles and other equipment 3 to 5 years

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

1.6 Leases (continued)

If ownership of the leased asset transfers to the Board at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of use assets are also subject to impairment. Refer to the accounting policies regarding Impairment of non-financial assets.

1.6.6 Lease Liabilities

At the commencement date of the lease, the Board recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Board and payments of penalties for terminating the lease, if the lease term reflects the Board exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Board uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

1.6.7 Lease Liabilities

The Board applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Board as a lessor

Leases in which the Board does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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 Botswana Agricultural Marketing Board 's inventory comprises of scheduled produce i.e. maize, sunflower, sorghum etc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.8 Impairment of non-financial assets

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

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

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

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

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

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

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

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

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 Botswana Agricultural Marketing Board to qualify for them, the

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.10.1 Government grants related to assets (continued)

Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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.

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 Botswana Agricultural Marketing Board based on terms of employment contract over the period of employment and are not discounted.

1.11.2 Defined contribution plan

The Botswana Agricultural Marketing 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 Botswana Agricultural Marketing Board's asset in separate trustee administered funds.

1.12 Provisions and contingencies

Provisions are recognised when:

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.12 Provisions and contingencies (continued)

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 Botswana Agricultural Marketing Board expects some or all of the expenditure required to settle a provision to be reimbursed by another party if the Botswana Agricultural Marketing 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 IFRS 15: Revenue from Contracts with Customers

The Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.17 Standards issued during the year (continued)

IFRS 16 Leases

"The Board applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below."

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Board is the lessor.

Management has elected to apply one of the alternative modified retrospective approaches permitted by IFRS 16 on the basis of undue cost or effort. The selected transitional approach is detailed below. The initial lease liability and Right-of-Use Assets are recognised as follows;

- i. The lease liability is net present value of the remaining (i.e. future) lease payments using the incremental borrowing rate at the date of initial application
- ii. The right-of-use (RoU) asset is recognized at the date of initial application as an amount equal to the lease liability, using the prevailing incremental borrowing rate at the date of initial application. Adjusted for any prepaid or accrued lease payments relating to that lease that were recognised in the statement of financial position immediately before the date of initial application

The following practical expediences that are relevant to the above transitional approach have been selected and applied accordingly.

1. Apply the old definition of lease in line with IAS 17/IFRIC to existing leases on transition date. Only apply the new definition of a lease in IFRS 16 to new leases post transition.
2. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics
3. Use onerous lease assessment and any provision recognised immediately before date of application instead of an IAS 36 impairment test
4. No requirement to recognise leases when the term ends within 12 months of the date of initial application

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.17 Standards issued during the year (continued)

IFRS 16 Leases (Cont.)

Lease Term

In determining the lease term, management considered the non-cancellable period, extension options and terminations clauses embedded in the lease contracts. Where appropriate, management has incorporated lease extension periods in the lease term supported by its strategic plan.

Discount Rate

As at 1 April 2019, the Board was able to borrow funds from Commercial Banks as follows:

- a. Acquisition of Building Properties of a similar nature - at a prime rate of 6.5%
- b. Acquisition of Motor vehicles – at 9% (prime of 6.5% plus 2.5% margin)."

Consequently 6.5% and 9% have been utilised in the lease valuations as the Board's incremental borrowing rates for buildings properties and motor vehicles respectively.

1.17 Standards issued during the year

Right of Use Asset

The Right-of-Use Assets shall subsequently be measured using the cost model of IAS 16 Property, Plant & Equipment.

Lease Liability

The liability resulting from the lease contracts shall be accounted for as a financial liability in line with IFRS 9: Financial Instruments – Recognition & Measurement.

The aggregate lease liability recognised in the statement of financial position at 1 April 2019 and the Board's operating lease commitment at 31 March 2019 can be reconciled as follows:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.17 Standards issued during the year (continued)

Operating lease commitment at 31 March 2019 (Non-cancellable period)	4,740,924
Effect of discounting non-cancellable lease commitments at an annual rate of 10%	(442,507)
Effect of estimating present value of lease payments during extension period as required by IFRS 16	663,231
Lease Liability recognized on the statement of financial position as at 1 April 2019	4,961,648
Current portion	1,781,592
Non-current portion	3,180,056

Right-of-use assets	Properties	Motor Vehicles	Total
Balance at 1 April 2019	1,469,109	3,268,950	4,738,059
Depreciation charge for the year	(164,532)	(1,722,903)	(1,887,436)
Balance at 31 March 2020	1,304,577	1,546,046	2,850,623
Presented on the Statement of financial position as follows:			
Non-current Assets:			
Property, Plant & Equipment			84,384,994
Right of Use Asset			2,850,623
Lease Liability			
Maturity analysis – contractual undiscounted cash flows			
Within one year			1,817,317
Two years			611,136
More than Five years			1,473,909
Total undiscounted lease liabilities at 31 March 2020			3,902,362
Less: Total finance cost allocated to future periods			(876,154)
Lease liability at 31 March 2020			3,026,208

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Right-of-use assets (continued)	Properties	Motor Vehicles	Total
Current portion			1,663,635
Non-current portion			1,362,573
Amounts recognised in the statement of cashflow			
Total cash outflow for leases			(2,248,389)
Presented as			
Cashflow from financing activities			
Finance cost			(312,949)
Lease Liability: Principal repayment			(1,935,440)
Amounts recognised in Profit or loss			
Finance cost on lease liability			(312,949)
Depreciation relating to right-of-use assets			(1,887,436)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

The Board determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Board applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Board considered whether it has any uncertain tax positions. The Board determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Board.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.17 Standards issued during the year (continued)

Standards issued but no impact on BAMB

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Board.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Board as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Board does not have longterm interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

- **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.17 Standards issued during the year (continued)

Annual Improvements 2015-2017 Cycle (continued)

IFRS 3 Business Combinations (continued)

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Board as there is no transaction where joint control is obtained.

- **IFRS 11 Joint Arrangements**

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Board as there is no transaction where a joint control is obtained.

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Board does not currently pay dividends, these amendments had no impact on the consolidated financial statements of the Board.

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.17 Standards issued during the year (continued)

“Since the Board’s current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Board.”

1.18 New standard/amendments issued that are not yet effective

New accounting standards and interpretations have been published but not are mandatory for the 31 March 2020 reporting periods and have not been early adopted by the Board. The Board’s assessment of the impact of these new standards and interpretations is set out below.

New Standard/Interpretation	Effective for year ends beginning	Expected Impact on the Board
Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	01-Jan-20	Minimal
Definition of Material - Amendments to IAS 1 and IAS 8	01-Jan-20	Minimal
The Conceptual Framework for Financial Reporting	01-Jan-20	Minimal
Covid-19 - Related Rent Concessions - Amendments to IFRS 16	01-Jan-20	Minimal
Classification of Liabilities as Current or Non- Current Amendments to IAS 1	01-Jan-20	Minimal
Property, Plant and Equipment: Proceeds before intended Use - Amendments to IAS 16	01-Jan-22	Minimal

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

2.1 PROPERTY, PLANT AND EQUIPMENT

2020	Land and Buildings	Furniture and Fittings	Motor vehicles	Plant and Machinery	Total Pula
Cost/Valuation					
At beginning of year	89,389,961	1,615,742	20,063,942	15,310,225	126,379,871
Additions	2,162,420	217,189	4,295,206	3,532,851	10,207,667
At end of year	91,552,381	1,832,931	24,359,148	18,843,076	136,587,537
Accumulated Depreciation					
At beginning of year	17,091,721	1,493,987	15,826,889	10,893,140	45,305,737
Charge for the year	2,431,502	249,839	2,176,548	2,046,350	6,904,239
At end of year	19,523,223	1,743,826	18,003,437	12,939,491	52,209,976
Carrying amount					
At beginning of year	72,298,240	121,755	4,237,054	4,417,085	81,074,134
At end of year	72,029,159	89,105	6,355,712	5,903,585	84,377,561
2019					
Cost/Valuation					
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	2,720,325	8,090,789	36,650,725
Charge for the year	2,390,787	355,310	3,106,564	2,802,352	8,655,012
Disposals	-	-	-	-	-
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

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:

2020

	Land and Buildings	Motor vehicles	Plant and Machinery	Total Pula
Cost	91,552,381	24,359,148	18,843,076	134,754,606
Accumulated depreciation and impairment	(72,298,240)	(18,003,437)	(12,939,491)	(103,241,168)
Net carrying amount	19,254,142	6,355,712	5,903,585	31,513,438

2019

Cost	89,389,961	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

Revaluation of assets

An independent expert was engaged for the revaluation of the Property, plant and equipment of the Botswana Agricultural Marketing Board effective 31st March 2018 which resulted in a revaluation loss of BWP1.4million.

Management and the Board of Directors carried out an assessment on the carrying values of Property, plant and equipment for Botswana Agricultural Marketing Board as at 31 March 2020.

2.2 INVESTMENT PROPERTY

The Botswana Agricultural Marketing Board's investment properties consist of commercial properties leased in Kasane and Gaborone which are subject to an operating lease.

Management have opted to value this property at fair value. The fair value is based on the valuation carried by Apex Properties who are professional valuers and have been doing the work of property valuation for the last 13 years.

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

	Note	31 March 2020	31 March 2019
Opening balance at 1 April		22,800,000	23,265,000
Net (loss)/gain from fair value adjustment	18	100,000	(465,000)
Closing balance		22,900,000	22,800,000

Plot number 14395 located in Gaborone G-West is held as security in favour of Bank Gaborone to the amount of BWP30,000,000.

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**2.2 INVESTMENT PROPERTY (Continued)**

	Note	31 March 2020	31 March 2019
Rental income derived from investment properties	16	2,106,910	1,980,543
Direct operating expenses (including repairs and maintenance) that did not generate rental income (included in cost of sales)		43,680	59,360
Profit arising from investment properties carried at fair value		2,063,230	1,921,183

Description of valuation techniques

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

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 fair value hierarchy refer to Note 26(4) for the level of the fair value hierarchy within which the fair value measurement is categorised.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

2.3 WORK IN PROGRESS

There was no work in progress as at 31st March 2020, (2019 BWP325,612)

	2020	2019
Opening balance at 1 April	325,612	-
Transfer from work in progress to land and buildings	(325,612)	-
Increase in work in progress	-	325,612
Closing balance	-	325,612

3 FINANCIAL ASSETS BY CATEGORY

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

Financial Assets	Measurement Category	2020	2019
			Carrying Amount
Cash and cash equivalents	Amortised cost	10,954,324	10,946,824
Trade and other receivables	Amortised cost	183,507,837	43,299,534
		194,462,161	54,246,358

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

4 INVENTORIES

Merchandise	102,607,572	126,204,572
Inventory write-downs	(2,325,002)	(19,062,457)
	100,282,571	107,142,115

The Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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 P64,394,344 (2019:P102,996,240). The inventories held by the Board are sorghum, maize, pulses, fertilizers, seeds and veterinary medicines. During 2019, BWP344,056,727 (2019: BWP273,957,806) 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

Bank Gaborone Bank Loan

First covering mortgage 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.

BWP6,300,000 over Tribal Lot 194, Pandamatenga

BWP7,200,000 over Tribal Lot 2440, Francistown

Deed of hypothecation over stock for BWP68,811,463.

Cession of debtors from the Ministry of Agricultural Development and Food Security

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Carrying amounts of encumbered Assets	Year Ended 31 March 2020	Year Ended 31 March 2019
Lot 14395 Gaborone	30,500,000	30,400,000
Tibal Lot 194 Pandamatenga	8,867,272	-
Tribal Lot 2440, Francistown	8,772,974	-
Inventories	100,282,571	107,142,115
Trade and other receivables	73,693,078	69,533,517
Total Encumbered Assets	222,115,895	207,075,631

5

	Year Ended 31 March	
	2020 Pula	2019 Pula
TRADE AND OTHER RECEIVABLES		
Trade receivables	159,395,798	140,294,729
Subsidy Claim	22,519,341	22,519,341
Expected credit losses	(110,353,071)	(95,696,763)
	71,562,068	67,117,307
Other Debtors	2,131,010	2,416,209
Trade and other receivables	73,693,078	69,533,517
The trade and other receivables composition is as follows:		
Government Receivables	119,628,719	91,745,245
Other receivables	39,767,078	48,549,484
Trade and other receivables	159,395,798	140,294,729

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 and other factors.

The Botswana Agricultural Marketing Board has elected to apply the simplified expected credit loss model based on 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

5 TRADE AND OTHER RECEIVABLES (Continued)

	Year Ended 31 March	
Reconciliation of Impairment Loss Allowance	2020 Pula	2019 Pula
Opening balance	95,696,763	25,834,751
Amounts restated through opening retained earnings – Transitional IFRS 9 Adjustment	-	140,208,302
Opening impairment allowance	95,696,763	166,043,053
Increase/(Decrease) in receivable loss allowance recognised in profit or loss during the period	14,656,308	(70,346,290)
Closing balance at 31 March 2020	110,353,071	95,696,763

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss (Note 18).

The Botswana Agricultural Marketing Board does not hold any collateral as tangible security.

In order to establish whether trade receivables were impaired the Botswana Agricultural Marketing 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	1,748,310	343,521
Cash on hand	184,478	235,990
	1,932,788	579,512

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

Cash & cash equivalents	1,932,788	579,512
Bank Overdraft	(38,157,225)	(124,722,793)
Cash and cash equivalents at end of the year per SOCF	(36,224,437)	(124,143,281)

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

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

6 CASH AND CASH EQUIVALENTS (Continued)

Standard Chartered Bank

The Botswana Agricultural Marketing Board 's overall banking facility with Standard Chartered Bank Botswana Limited consists 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 the Bank's prime lending rate per annum. The balance outstanding was BWP15,397,123.

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

First National Bank Botswana

The Botswana Agricultural Marketing Board 's overall banking facility with First National Bank Botswana Limited, consists 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 BWP5,897,943.

The Botswana Pula Overdraft facility of BWP30,000,000 which was acquired to be utilised for general working capital requirements; repayable 12 months or on demand; at an interest rate at Bank's prime lending rate prevailing from time to time was fully repaid in September 2019 as per the set repayment plan.

Banc ABC

The Botswana Agricultural Marketing Board 's overall banking facility with Banc ABC was a 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 facility was fully repaid in January 2020.

Stanbic Bank of Botswana

The Botswana Agricultural Marketing Board held a 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 facility was fully repaid in January 2020.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

6 CASH AND CASH EQUIVALENTS (Continued)

First National Bank Botswana

The Botswana Agricultural Marketing Board 's overall banking facility with First National Bank Botswana Limited, consists 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 BWP5,897,943.

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7 EQUITY AND RESERVES

	Year Ended 31 March	
	2020	2019
	Pula	Pula
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.

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**7 RESERVES (Continued)****7.2 Revaluation Reserve (Continued)**

	Year Ended 31 March	
	2020	2019
	Pula	Pula
At the beginning of the year	73,287,275	75,158,002
Depreciation transfer	(1,114,399)	(1,870,728)
	72,172,876	73,287,275

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 9,017,668.

In the current year the stabilization fund was utilised to pay farmers during the harvest period. The utilisation of the stabilization fund was approved by the Minister responsible for Agriculture on 31 July 2019.

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

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 TO THE FINANCIAL STATEMENTS (Cont.)

7 RESERVES (Continued)

7.4 Development Fund (Continued)

	Year Ended 31 March	
	2020	2019
	Pula	Pula
At the beginning of the year	1,000,000	1,000,000
	1,000,000	1,000,000

8 BANK LOAN

The Botswana Agricultural Marketing Board has a 3 year term facility with Bank Gaborone, the Barclays Bank of Botswana Loan was cleared in January 2020.

Barclays Bank of Botswana	-	41,200,000
Bank Gaborone	50,148,116	-
	50,148,116	41,200,000

The Botswana Agricultural Marketing Board has a three year tenor short loan facility with Bank Gaborone to the value of BWP52,600,000 which was utilised for general working capital requirements and to repay the Barclays Loan, Bank ABC Overdraft facility and the Stanbic Bank Overdraft. Priced at an interest rate of prime plus 2%. The loan is to be repaid in thirty six monthly repayments of BWP1,654,439, the current outstanding is BWP50,148,116.

Terms and conditions of the loan;

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

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

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

9 DEFERRED INCOME

Deferred income mainly relates to unexpended balance of grants received from the Government of Botswana. The grant was not utilised in 2019 and 2020.

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

9 DEFERRED INCOME (Continued)

Deferred income mainly relates to unexpended balance of grants received from the Government of Botswana. The grant was not utilised in 2019 and 2020.

Opening balance	7,164,700	7,164,700
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. The last time a dividend was declared was in 2016 amounting P6,122,906. Refer to taxation note 23.

11 TRADE AND OTHER PAYABLES

Trade payables	162,487,291	37,843,763
Payroll accruals		
Gratuities	3,848,991	754,921
Pension	277,509	-
Staff Leave	3,248,765	2,819,027
Social Responsibility	6,662	6,662
Other payroll accruals	-	148,648
	169,869,219	41,573,021

The Gratuity provision is calculated at 25% (for middle management) and 30% (for executive management) of the total remuneration package (including the value of benefits and allowances) in accordance with the Board's conditions of employment.

Leave provision is calculated based on accrued leave days not taken during the year, while leave travel is a contractual benefit payable after every two years of service.

Dividends accrued	7,155,180	7,155,180
	177,024,398	48,728,201

11.1	Income Tax payable	2,858,485	2,099,219
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11.2	Income Tax payable	38,157,225	124,722,793
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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.)

		Year Ended 31 March	
		2020	2019
		Pula	Pula
12	PROVISIONS		
	At the beginning of the year	8,563,247	1,063,247
	Additional provision raised during the year	-	7,500,000
	At the end of the year	8,563,247	8,563,247
	<p>The provision relates to probable losses from current legal proceedings in which the Board is currently a party to. These are claims against Botswana Agricultural Marketing Board by former employees. Due to the uncertainties surrounding the judgement of the legal proceedings the Board has provided for the probable legal losses based on consultations with the Board's legal counsel. The matter is currently with the Court of Appeal.</p>		
13	FINANCIAL LIABILITIES BY CATEGORY		
	Financial liabilities at amortised cost:		
	Trade and other payables (excluding tax payable)	177,024,398	48,728,200
	Bank Loan	50,148,116	41,200,000
	Bank Overdrafts	38,157,225	124,722,793
		265,329,739	214,650,993
	<p>The carrying values of financial liabilities is deemed by the Board to approximate their fair values due to their short term nature.</p>		
14	REVENUE FROM CONTRACT WITH CUSTOMERS		
	Analysis of Revenue		
	Recognition of revenue by timing and product		
	Performance obligations satisfied over time		
	Strategic Grain Reserve management fees	18,324,973	16,677,496
	Performance obligations satisfied at a specific point in time		
	Sale of goods – Local	397,390,668	304,177,099
	Sale of goods – Export	5,438,030	7,715,630
	Total sales of goods	402,828,698	311,892,729
	Total revenue from contract with customers	421,153,671	328,570,225

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**14 REVENUE FROM CONTRACT WITH CUSTOMERS (Continued)**

The Botswana Agricultural Marketing 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.

		Year Ended 31 March	
		2020	2019
		Pula	Pula
15	COST OF SALES		
	Cost of goods sold	333,906,915	246,552,216
	Inventory losses and allowances	2,325,002	19,062,457
	Transport subsidy received from Ministry of Agriculture	(4,500,000)	(6,498,445)
	Distribution costs	19,127,091	15,809,489
	Discounts received	(18,370)	(967,910)
		350,840,638	273,957,806
16	OTHER INCOME		
	Rent received	2,106,910	1,980,543
	Sundry income	9,213,404	40,809,876
	Investment property revaluation	100,000	-
	Commission and storage	2,566,816	-
		13,987,131	42,790,419

Sundry income

The Botswana Agricultural Marketing Board utilised the Stabilization Reserve for the payment of local farmers for the harvest.

17 Operating lease — Board as a lessor

The Botswana Agricultural Marketing Board has entered into commercial property leases on its surplus office and warehouses space, to Builders World Kasane and Cash Build Gaborone. The lease terms are for a period of 10 years. The Cash Build Gaborone lease came to an end in September 2020 and was extended for six(6) months until 31st March 2020. The Builders World Kasane lease ended on the 31st March 2020 and matter is currently with the Courts.

No lessee has the option to purchase the property at the expiry of the lease period.

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:

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

		Year Ended 31 March	
		2020	2019
		Pula	Pula
17	Operating lease –Board as a lessor (Continued)		
	Within one year	969,526	-
	After one year but not more than five years	1,156,726	-
		2,126,252	-
17.1	Operating lease –Board as a lessor (Continued)		
	At the beginning of the year	223,589	145,768
	Deffered Lease Liability Reversal	(223,589)	77,822
	At the end of the year	-	223,589
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.			
Operating lease commitment at 31 March 2019 (Non-cancellable period)	Plot 2338 Jwaneng	833,079	-
	Plot 9741 Molepolole	363,363	-
	Combine Contract - 7 Isuzu 4x4	1,779,162	-
	Combine Contract - 3 Toyota Quests	263,624	-
	Toyota Landcruiser	886,248	-
	Toyota Fortuner	615,449	-
		4,740,924	-
Effect of discounting @6.5% Effect of discounting @6.5% Effect of discounting @9% Effect of discounting @9% Effect of discounting @9% Effect of discounting @9%	Plot 2338 Jwaneng	151,416	-
	Plot 9741 Molepolole	15,559	-
	Combine Contract - 7 Isuzu 4x4	132,402	-
	Combine Contract - 3 Toyota Quests	18,730	-
	Toyota Landcruiser	80,675	-
	Toyota Fortuner	43,726	-
		(442,507)	-
Total		4,298,417	
Present Value during extension period Plot 2338 Jwaneng		663,231	
Total		4,961,648	

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

		Year Ended 31 March	
		2020	2019
		Pula	Pula
17	Operating lease —Board as a lessor (Continued)		
17.1	Operating lease —Board as a lessor (Continued)		
	Lease Liability at 1 April 2019		
	Plot 2338 Jwaneng	1,344,894	-
	Plot 9741 Molepolole	347,804	-
PV of future cashflows at 1 April 2019	Combine Contract - 7 Isuzu 4x4	1,646,760	-
(Lease Liability)	Combine Contract - 3 Toyota Quests	244,894	-
	Toyota Landcruiser	805,573	-
	Toyota Fortuner	571,723	-
		4,961,648	-
	Current portion	1,781,592	
	Non-current portion	3,180,056	
	Lease Liability		
	Maturity analysis - contractual undiscounted cash flows		
	Within one year	1,817,317	
	Two to Five years	611,136	
	More than Five years	1,473,909	
	Total undiscounted lease liabilities at 31 March 2020	3,902,362	
	Less: Total finance cost allocated to future periods	(876,154)	
	Lease liability at 31 March 2020	3,026,208	
	Current portion	1,663,635	
	Non-current portion	1,362,573	
17.2	Operating lease —Board as a lessor (Continued)		
	Right-of-use assets		
	Properties	Motor Vehicles	Total
Balance at 1 April 2019	1,469,109	3,268,950	4,738,059
Depreciation charge for the year	(164,532)	(1,722,903)	(1,887,436)
Balance at 31 March 2020	1,304,577	1,546,046	2,850,623

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

		Year Ended 31 March	
		2020	2019
		Pula	Pula
18	OPERATING PROFIT /(LOSS)	30,735,769	(47,832,308)
Operating (profit) loss for the year is stated after accounting for the following:			
	Board members' sitting fees and expenses	291,988	110,933
	Travelling and accommodation	8,224,492	10,897,168
	(Profit)/Loss on foreign exchange	(4,756,764)	(16,009,641)
	Repairs and maintenance	1,744,533	1,986,369
	Telephone and fax	2,004,103	1,734,303
	Office and general expenses	11,713,949	20,162,573
	Net (loss)/gain from fair value adjustment	(100,000)	465,000
	Motor vehicle expenses	1,517,691	1,224,931
	Impairment of trade and other receivables	18,478,913	(70,346,290)
	Advertising	1,897,535	1,780,240
	Insurance	1,551,333	774,255
	Security	3,732,834	3,817,689
	Depreciation on property, plant and equipment	8,804,339	8,655,012
	Employee costs	56,798,565	43,829,222
	Pension contribution expense	3,483,496	1,121,719
	Vehicle rentals	(351,071)	542,668
		115,035,934	10,746,150
19	FINANCE INCOME		
	Interest revenue		
	Bank	72,154	110,722
	Interest charged on trade and other receivables	16,784	63,609
		88,938	174,331
20	FINANCE COSTS		
	Interest on overdraft	4,656,111	5,012,490
	Interest on loans	5,118,817	11,050,760
	Interest of leases	312,949	-
		10,087,877	16,063,250

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

		Year Ended 31 March	
		2020	2019
		Pula	Pula
21	AUDITORS REMUNERATION		
	Fees	606,356	451,855
		606,356	451,855
22	COMMITMENTS		
	Authorised capital expenditure		
	The Botswana Agricultural Marketing Board did not have committed capital expenditure as at year end.		
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	-	-
	Taxation expense	-	-
	Tax rate reconciliation		
	Profit/(loss) before tax	(40,734,708)	70,767,769
	Company tax at 22%	(8,961,636)	15,568,909
	Adjustment for:		
	Non-deductible expenses	28,041,580	9,282,978
	Utilization of brought forward tax losses	(19,079,944)	(24,851,888)
	Taxation expense	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

		Year Ended 31 March	
		2020	2019
		Pula	Pula
23	Taxation (continued)		
	Deferred tax assets/(liabilities)		Opening
	balance	-	-
	Wear and tear allowance	1,984,437	1,930,376
	Provisions	-	-
	Temporary differences arising from other balance sheet items	7,550,670	3,693,971
	Unrecognised deferred tax	(9,535,107)	(5,624,348)
	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 Botswana Agricultural Marketing Board became liable for income tax effective 1st July 2016. The Board has an assessed loss brought 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 was approved by BURS in September 2020.

The Botswana Agricultural Marketing Board was previously exempt from income tax because it was wholly owned by the Government of the Republic of Botswana.

In terms of the Income Tax Amendment Act 2015 (Act 14 of 2015) and Statutory Instrument number 41 of 2016 Income Tax (Bodies Corporate Exempt from Tax) Regulation 2016 that came into operation on 1 July 2016, BAMB became a taxable entity.

BURS has not issued any guidelines as to any transitional arrangements which would apply in the first few tax periods for The Botswana Agricultural Marketing Board. Accordingly, The Botswana Agricultural Marketing Board has calculated income tax and deferred tax for the current year based on management's interpretation of the Income Tax Act as it may apply to The Botswana Agricultural Marketing Board. These interpretations may differ to those of BURS. Any changes as a result of different interpretations made by BURS will be accounted for when agreed to by The Botswana Agricultural Marketing Board. In the current year BURS has not yet issued guidelines regarding the transitional arrangements.

24 CONTINGENCIES

The Botswana Agricultural Marketing 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. There were no outstanding guarantees as at the reporting date: (2019: BWP0).

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

		Year Ended 31 March	
		2020	2019
		Pula	Pula
24	CONTINGENCIES (continued)		
<p>The Botswana Agricultural Marketing 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 1,289,656 (2019: BWP300 000).</p>			
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 Isang Lekhutile (Head, Human Resource and Strategy) Mr Tumelo Keitumetse (Head, Internal Audit) Dr. Benjamin Ditsele (Head, Veterinary Services) Ms Kopano Mokobi (Head, Commercial & Business Development) Mr Bashi Ratshosa (Head, Operations)	
Amounts included in Trade Payables regarding related parties:		108,771,228	3
Amounts included in Trade Receivables regarding related parties			
Department of Crop Production		13,086,185	12,921,372
Department of Local Government Finance and Procurement		2,938,311	6,817,875
Department of Veterinary Services		17,826,762	878,962
Government of Botswana - Strategic Grain Reserve		44,036,159	35,756,292
Government of Botswana - Strategic Grain Reserve(administration fees)		18,324,973	16,677,496
Botswana Housing Cooperation		1,287,688	1,287,688
Botswana Ash		657,715	714,340
Botswana Power Cooperation		98,627	-
Botswana Post		-	2,137
Botswana Railways		-	557
Buan		-	-
		98,256,421	75,056,719
Related party transactions			
Purchases from related parties			
Government of Botswana - Strategic Grain Reserve		50,540,477	-

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

		Year Ended 31 March	
		2020	2019
		Pula	Pula
25	RELATED PARTY DISCLOSURES (continued)		
	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	263,624	110,933
	Grants and fees received from Government of Botswana		
	Strategic Grain Reserve management fees	18,324,973	16,677,496
	Transport subsidy - Ministry of Agricultural Development and Food Security	4,500,000	6,498,445
	Sales to related parties		
	Department of Crop Productions	18,474,928	4,727,857
	Department of Local Government Finance and Procurement	24,280,749	30,594,800
	Government of Botswana	30,069,717	39,193,749
	Compensation of key management personnel		
	Short term employee benefits	3,658,115	3,658,115
	Gratuity and leave pay	2,329,382	3,525,761

26 RISK MANAGEMENT

Capital management

The Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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.

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

26 RISK MANAGEMENT (continued)

Capital management (continued)

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

Concentration Risk

The Botswana Agricultural Marketing Board is exposed to concentration risk as majority of its transactions are with the Ministry Of Agriculture and Food Security.

Financial risk management

The Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing Board . The Botswana Agricultural Marketing 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 Botswana Agricultural Marketing Board.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

26 RISK MANAGEMENT (continued)

At 31 March, 2020

	Not later than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Over 1 year	Total Amount
Trade and other payables	126,773,432	17,527,256	18,186,603	-	162,487,291
Loan obligations	1,654,439	4,963,317	13,235,511	30,294,849	50,148,116
Bank overdraft		38,157,225		-	38,157,225
Lease Liability				1,362,573	1,362,573
	128,427,870	60,647,798	31,422,114	31,657,422	252,155,205
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

The Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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, 2020, 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 (2019: P250,624) 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%	-	-
Interest charged on overdraft	6.50%	38,157,225	-

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**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 Botswana Agricultural Marketing Board. As at 31 March 2020, the Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing Board does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. Financial assets of the Botswana Agricultural Marketing Board, which are subject to credit risk, consist mainly of trade and other receivable and cash resources. The Botswana Agricultural Marketing 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 Botswana Agricultural Marketing Board. The Botswana Agricultural Marketing Board has used the debtors age analysis to model credit risk into PDs. Consistent with the IFRS 9 presumption, the Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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 31st March 2020 is determined as follows.

Expected Credit loss Default Rates at 31 March 2020					
Customer Grouping	Current	1 – 30 Past due	31 - 60 Past due	61 - 90 Past due	Over 90 Past due
Government Debtors	1.97%	50.48%	63.94%	67.31%	100%
Drought Subsidy Program	6.21%	6.81%	6.97%	7.48%	7.26%
Transport Debtors	13.66%	0.00%	0.00%	93.35%	100%
Corporate Debtors	2.48%	16.22%	63.36%	95.04%	100%
Individual Debtors	0.00%	0.00%	100.00%	0.00%	100%

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

26

RISK MANAGEMENT (Continued)

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%

Trade & Other Receivables: Gross Carrying Amounts at 31 March 2020						
Customer Grouping	Current	1 – 30 Past due	31 - 60 Past due	61 - 90 Past due	Over 90 Past due	Total
Government Debtors	6,712,682	4,286,756	5,283,954	1,075,210	84,535,181	101,893,783
Drought Subsidy Program	2,865,932	1,894,499	1,752,696	1,713,379	9,508,435	17,734,941
Transport Debtors	52,057	-	-	1,554	169,498	223,109
Corporate Debtors	19,255,053	2,241,742	480,251	507,668	15,289,463	37,774,177
Individual Debtors	1,079,234	-	913,289	-	-	1,992,523
Total	29,964,958	8,422,997	8,430,190	3,297,811	109,502,577	159,618,533

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	14158	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

Expected Credit Loss (ECL) Allowance at 31 March 2020						
Customer Grouping	Current	1 – 30 Past due	31 - 60 Past due	61 - 90 Past due	Over 90 Past due	Total
Government Debtors	132,206	2,164,134	3,378,387	723,704	84,544,121	90,942,552
Drought Subsidy Program	178,091	129,038	122,179	128,136	690,308	1,247,752
Transport Debtors	7,109	-	-	1,450	169,498	178,057
Corporate Debtors	477,148	363,677	304,271	482,477	15,443,847	17,071,420
Individual Debtors	-	-	913,289	-	-	913,289
Total	794,554	2,656,849	4,718,126	1,335,767	100,847,774	110,353,070

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

26

RISK MANAGEMENT (Continued)

Expected Credit Loss (ECL) Allowance at 1 April 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	2603	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

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

Description	2020	2019
Gross Debtors	159,618,533	139,336,120
Less: Impairment provision	(110,353,070)	(95,696,763)
Net trade and other receivables	49,265,463	43,639,357
Cash & Cash equivalent	1,932,788	579,512
Total maximum amount exposed to credit risk	51,198,251	44,218,869

Determination of fair values and fair values hierarchy

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

The Botswana Agricultural Marketing 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)

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

26 RISK MANAGEMENT (Continued)

The following table represents the company's assets and liabilities that are measured at fair value as at 31 March 2020

Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2020:

				Fair value measurement using		
				Quoted prices in active markets (Level 1)	Significant inputs observable (Level 2)	Significant inputs unobservable (Level 3)
Date of valuation						Total fair value
Investment properties						
- Physical properties	31-Mar-20	2.2	-	-	22,900,000	22,900,000
Property, plant and equipment						
- Land and buildings	31-Mar-20	2.1	-	-	72,029,159	72,029,159
- Motor vehicles	31-Mar-20	2.1	-	-	6,355,712	6,355,712
- Plant and machinery	31-Mar-20	2.1	-	-	5,903,585	5,903,585
			-	-	107,188,456	107,188,456

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

Date of valuation						
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

Foreign exchange risk

The entity is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand. The balance held in foreign currency as at 31st March 2020 amounted to ZAR5,916.06.

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.

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

26

RISK MANAGEMENT (Continued)

Increase/ (decrease) in exchange rate		Effect on profit	Effect on profit after taxation
2020	5%	(2,036,735)	(2,036,735)
	(5%)	2,036,735	2,036,735
2019	5%	3,538,388	3,538,388
	(5%)	(3,538,388)	(3,538,388)
Exchange Rates			
The amounts reported below are exchange rates against the Pula.			
		2020 Rand	2019 Rand
Exchange rate		1.5064	1.3757

Level 3 valuation

Investment Properties - Refer to accounting policy note 2.2 on how fair value is determined.

Property, plant and equipment - Refer to note 2.1 on how the fair value is determined.

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

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

26 RISK MANAGEMENT (Continued)

Trade & Other Receivables: Gross Carrying Amounts at 31 March 2019

Reconciliation of movements in level 3 financial instruments measured at fair value Level 3 Financial Assets	Investment Properties	Land and buildings	Furniture and fixtures	Motor vehicles	Plant and machinery
31 March 2020					
Balance	22,800,000	72,029,159	-	6,355,712	5,903,585
Adjusted due to IFRS 13	-	-	-	-	-
Total gains/(loss) in comprehensive income	100,000	-	-	-	-
Acquisitions	-	-	-	-	-
Settlements/ Repayments	-	-	-	-	-
	22,900,000	72,029,159	-	6,355,712	5,903,585
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

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

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable input	Quantitative data	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 BWP3,257,100(2018;3,192,000)
Furniture and fittings	3	Management assessment of useful life and replacement costs	Useful life Replacement costs	Useful life	3 - 5 years	N/A
Motor vehicles and plant and machinery	3	The cost approach, which reflects the amount that would be required currently to replace the service capacity of an asset	Consumer Price index	N/A	181.3 index points	N/A

Botswana Agricultural Marketing Board Annual Financial Statement for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

27 Subsequent events after reporting date

The Impact of Covid 19 Pandemic on Botswana Agricultural Marketing Board's revenue

The Covid 19 outbreak has been declared a world pandemic by the World Health Organisation. Statistical figures worldwide show that Covid-19 has spread to reach pandemic proportions. In principle, food and agricultural sector should be less affected than other sectors. However, illness – related labor shortages, transport interruptions, quarantine measures limiting access to markets and supply chain disruptions have an impact on supply, affected customers buying power and negatively impact on BAMB's revenues in various significant ways:

Supply chain impact; The lockdown and border closures have had an impact on stock availability and supply shortage which could potentially lead to price hikes and negatively impact on food security.

Potential loss revenue due to reduction in number of walk-in customers and reduced cash inflows as a result of decline in sales.

The year to date revenue in the second quarter for the year end 2021 was a 22% growth as compared to the same period in the prior year (BWP231,202,615 vs. BWP189,089,857), however the revenue contribution was largely from contract sales with millers, walk in sales and sale of pulses and veterinary products were impacted by Covid 19 lockdown and their contribution declined.

As the COVID-19 crisis continues to have a negative impact on the economic activity, BAMB might continue to experience further negative impacts, and incur impairments on receivables. The exact impact on our activities for the remainder of 2021 cannot be determined.



SMART FARMING 4.0
THE NEXT STEP IN FEEDING THE NATION



Strategic Grain Reserve **ANNUAL FINANCIAL STATEMENTS**

for the year ended March 2020

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Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

GENERAL INFORMATION

Country of Incorporation and Domicile:	Botswana
Nature of business and principal activities:	<p>Holding of Strategic Grain Reserve for the Government of Botswana.</p> <p>The Botswana Agricultural Marketing Board is the managing agent appointed by the Government of Botswana to manage the Reserve. The Reserve was created by the Government as a storage facility for grain in the event of a nationwide natural disaster. The transactions executed between the Botswana Agricultural Marketing Board and the Strategic Grain Reserve are mainly purchase and sale of inventory. The Botswana Agricultural Marketing Board periodically sells the Strategic Grain Reserve inventory to avoid losses due to perishing of inventory.</p>
Members of the Board	<ul style="list-style-type: none">- Dr Benjamin Ditsele (Acting Chief Executive Officer of the Managing Agent)- Ms Shirley Masunga (Acting Head of Finance of the Managing Agent)
Board 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:	Stanbic Bank Botswana Limited
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) mt of cowpeas and beans.

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

THE BOTSWANA AGRICULTURAL MARKETING BOARD`S RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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 Botswana Agricultural Marketing 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.

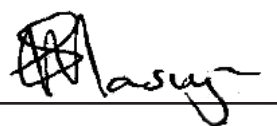
The Board of Directors is satisfied that Management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the Annual Financial Statements, to safeguard the assets of the Strategic Grain Reserve and to ensure that all transactions are duly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

Against this background Board accepts responsibility for the Annual Financial Statements on pages 99 to 116, which were signed on its behalf by;



Dr Benjamin Ditsele
(Acting Chief Executive Officer of the Managing Agent)

Date of Approval
29/06/2021



Ms Shirley Masunga
(Acting Head of Finance of the Managing Agent)

Date of Approval
29/06/2021

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STRATEGIC GRAIN RESERVE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Strategic Grain Reserve set out on pages 98 to 115 which comprise the statement of financial position as at 31 March 2020, 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 give a true and fair view of the financial position of the Strategic Grain Reserve as at 31 March 2020, and of 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 of 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 (including International Independence Standards) (IESBA Code) together with other ethical requirements that are relevant to our audit of financial statements in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information comprises the information included on page 1 of the document titled "Strategic Grain Reserve Annual Financial Statements for the year ended 31 March 2020", which includes the Botswana Agricultural Marketing Board's Statement of Responsibility and Approval of 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 Members of the Board are responsible for the other information. 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the 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'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 Strategic Grain Reserve or to cease operations, or have no realistic alternative but to do so.

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

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

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

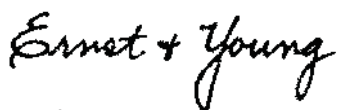
Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

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, actions taken to eliminate threats or safeguards applied.



Ernst & Young
Practising Member: Thomas Chitambo
Partner
Membership Number: 20030022
Certified Auditor
2nd Floor, Plot 22, Khama Crescent, Gaborone
08 July 2021

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

STATEMENT OF FINANCIAL POSITION

	Notes	As At 31 March	
		2020	2019
		Pula	Pula
CURRENT ASSETS			
Inventories	2	64,394,344	102,996,240
Trade and Other Receivables	3	50,540,477	3
Intercompany Loan	3,1	58,230,750	-
Cash and Cash Equivalents	4	2,200,264	1,496,707
		175,365,835	104,492,950
Total Assets		175,365,835	104,492,950
EQUITY AND LIABILITIES			
EQUITY			
Strategic Grain Reserves	7	347,521,513	205,389,405
Accumulated Loss		(216 191 837)	(200 182 850)
Total equity		131,329,676	5,206,555
LIABILITIES			
Current Liabilities			
Trade and other payables	5	44,036,159	99,286,395
Total Liabilities		44,036,159	99,286,395
TOTAL EQUITY AND LIABILITIES		175,365,835	104,492,950

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended 31 March	
		2020	2019
		Pula	Pula
Revenue	8	50,540,477	-
Costs of sales	9	(48,032,211)	-
Gross Profit		2,508,266	-
Administration expenses	11	(18,329,357)	(16,678,252)
Operating expenses	12	(219,646)	(184,888)
Operating Loss		(16,040,737)	(16,863,140)
Finance income	10	31,749	35,823
Loss for the year		(16,008,988)	(16,827,317)
Other comprehensive income		-	-
Total Comprehensive income		(16,008,988)	(16,827,317)



Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

STATEMENT OF CHANGES IN EQUITY

	Reserves	Accumulated Loss	Total Equity
	Pula	Pula	Pula
Balance at 31 March 2018	205,389,405	(183,355,533)	22,033,872
Total comprehensive loss	-	(16,827,317)	(16,827,317)
Balance at 31 March 2019	205,389,405	(200,182,850)	5,206,555
Total comprehensive loss	-	(16,008,988)	(16,008,988)
Funds received	142,132,108	-	142,132,108
Balance at 31 March 2020	347,521,513	(216,191,838)	131,329,677
Notes	7		

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

STATEMENT OF CASH FLOWS

	Notes	Year Ended 31 March	
		2020	2019
		Pula	Pula
Cash flows from operating activities			
Loss for the year		(16,008,987)	(16,827,317)
Adjustments for:			
Loss on foreign exchange	12	219,646	184,888
Finance income	10	(31,749)	(35,823)
Changes in working capital:			
Decrease in inventories	2	38,601,896	-
(Increase)/ Decrease in trade and other receivables	3	(108,771,225)	-
Decrease in trade and other payables	5	(55,250,236)	16,677,496
Cash flows used in operating activities		(141,240,655)	(756)
Interest received	10	31,749	35,823
Net cash flows (used in)/from operating activities		(141 208 906)	35,067
Cash flows from financing activities			
Cash Received from the Government		142,132,108	-
Net cash flows from financing activities		1 42 132 108	-
Net increase in cash and cash equivalents		923,202	35,067
Net foreign exchange difference	12	(219,646)	(184,888)
Cash and cash equivalents at beginning of year	4	1,496,707	1,646,528
Cash and cash equivalents at end of the year	4	2,200,264	1,496,707

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 Strategic Grain Reserve is the Botswana Pula. These accounting policies have been consistent applied in the current year and previous period financial year, unless otherwise stated.

The annual financial statements of the Strategic Grain Reserve are disclosed separately and not consolidated into the Botswana Agricultural Marketing Board Annual financial statements. The Botswana Agricultural Marketing 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 Botswana Agricultural Marketing Board six (6) month notice.

Additionally, the Botswana Agricultural Marketing Board has no financial investments in the Reserve, and the Government of Botswana through the Ministry of Agriculture owns the strategic grain reserves. The Botswana Agricultural Marketing Board's management runs and manages the Strategic Grain Reserve on behalf of the Ministry of Agriculture and Food Security 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 Botswana Agricultural Marketing Board's Management does not possess power through voting rights or embedded in the contractual agreement. For its involvement in the affairs of the Strategic Grain Reserve the Botswana Agricultural Marketing Board is not exposed to or receives any variable returns, rather it receives monthly management fees.

Both the Strategic Grain Reserve and the Botswana Agricultural Marketing Board have common employees, as the Botswana Agricultural Marketing Board has been appointed as the agent to manage the Strategic Grain Reserve. Therefore, the Botswana Agricultural Marketing Board has no control over the Strategic Grain Reserve, nor is it its parent entity, control lies with the Government of Botswana as such the Botswana Agricultural Marketing Board and the Strategic Grain 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 Strategic Grain Reserve had no significant estimates for the year ended 31st March 2020.

1.3 Financial Assets and Liabilities

Measurement Methods

1.3.1 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.

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.3.1 Amortised Cost and Effective Interest Rate (Continued)

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 Strategic Grain 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 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.

1.3.3 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 Strategic Grain 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.

1.3.4 Financial Assets

Classification and subsequent measurement

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

1.3.5 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.3.5 Debt Instruments (Continued)

Classification and subsequent measurement of debt instruments depend on:

The Botswana Agricultural Marketing Board's business model for managing the asset; and the cash flow characteristics of the asset.

Based on these factors, the Botswana Agricultural Marketing Board's 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 Strategic Grain Reserve manages the assets in order to generate cash flows. That is, whether the Strategic Grain 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 Strategic Grain 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 Strategic Grain 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 Strategic Grain Reserve assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Strategic Grain 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 Strategic Grain 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.

1.3.6 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.

1.3.7 Impairment of Financial Assets

The Strategic Grain 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

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.3.7 Impairment of Financial Assets (Continued)

losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Strategic Grain 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 Strategic Grain 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.

1.3.8 De-recognition of Financial Asset

The Strategic Grain 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 Strategic Grain Reserve neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Strategic Grain 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.

1.3.9 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.

1.3.10 De-recognition of Financial Liabilities

The Strategic Grain 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.6 Revenue from Contracts with Customers

The Strategic Grain Reserve generates revenue from the sale of inventory on a periodic basis to the Botswana Agricultural Marketing Board, which is the sole customer of the The Strategic Grain Reserve sells scheduled produce i.e. sugar beans, sorghum and maize.

Revenue is measured based on the consideration to which the Strategic Grain Reserve expects to be entitled in a contract with Botswana Agricultural Marketing Board and excludes amounts collected on behalf of third parties. The Strategic Grain Reserve sells inventories to the Botswana Agricultural Marketing Board at a 5% mark on cost.

Revenue is recognised when the goods are delivered to the Botswana Agricultural Marketing Board. Since the Botswana Agricultural Marketing Board holds inventory on behalf of the Strategic Grain Reserve, transactions are normally completed within a day.

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 Strategic Grain 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.

1.9 Standards issued during the year

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

Below is a list of new standards, amendments to existing standards and interpretations that mandatorily came into effect for the year ended 31 March 2020.

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.9 Standards issued during the year (Continued)

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other

• IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

1.10 New standards/Amendments that issued but not yet effective

New accounting standards and interpretations have been published but not are mandatory for the 31 March 2020 reporting periods and have not been early adopted by the Strategic Grain Reserve. The Strategic Grain Reserve's assessment of the impact of these new standards and interpretations is set out below.

New Standard/Interpretation	Effective for year ends beginning	Expected Impact on the Strategic Grain Reserve
Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	01-Jan-20	Minimal
Definition of Material - Amendments to IAS 1 and IAS 8	01-Jan-20	Minimal
The Conceptual Framework for Financial Reporting	01-Jan-20	Minimal
Covid-19 - Related Rent Concessions - Amendments to IFRS 16	01-Jun-20	Minimal
Classification of Liabilities as Current or Non-Current Amendments to IAS 1	01-Jan-22	Minimal
Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16	01-Jan-22	Minimal

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 March	
	2020	2019
2 Inventory	Pula	Pula
Sorghum	43,385,957	86 715 641
Pulses	18,290,648	16,280,599
Maize	2,717,739	-
	64,394,344	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 1 344MT. The current inventory level in the Reserve is 15,000MT (minimum required capacity is 10,000MT) of sorghum and 2,263MT (slightly above minimum required capacity) of pulses. Maize did not meet the required minimum as per the requirement of the agency agreement due to the market demand. Maize purchased during the year was bought by Botswana Agricultural Marketing Board as per the terms set out in the Agency Agreement.

As per the agency agreement Clause 7, which relates to management and rotation, the Botswana Agricultural Marketing Board shall draw down each component of the Strategic Grain 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 through the FIFO (First In First Out) inventory management method during inventory rotation.

3 Trade and other Receivables

Trade Receivables	50, 540,477	3
	50, 540,477	3

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 Strategic Grain Reserve does not hold any collateral as tangible security.

Trade and other receivables past due but not impaired

The Strategic Grain 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 Strategic Grain Reserve believes the amounts due will be settled in full.

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**3 Intercompany Loan**

Botswana Agricultural Marketing Board	58,230,750	-
	58,230,750	-

The Ministry of Agricultural Development and Food Security disbursed an amount of BWP77 million pula towards replenishment of maize and pulses by year end only BWP18,769,250 was utilised by BAMB for the purchase of maize and pulses. An amount of 58,230,750 is still to be used by the managing agent to replenish the reserve.

4 Cash and Cash Equivalents

Bank Balances	2,200,264	1,496,707
	2,200,264	1,496,707

Credit quality of cash at banks.

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

5 Trade and other Payables

	Year Ended 31 March	
	2020	2019
	Pula	Pula
Current	44,036,159	99,286,395
Total Trade and Other Payables	44,036,159	99,286,395

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 and other payables do not attract any interest.

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

6 Financial Instruments

	Carrying Value 2020	Fair Value 2020
FINANCIAL ASSETS		
Loans and receivables at amortised cost;		
Trade and other receivables	50,540,477	108,771,228
Cash and cash equivalents	2,200,264	2,200,264
	52,740,741	110,971,492
	Carrying Value 2019	Fair Value 2019
FINANCIAL ASSETS		
Loans and receivables at amortised cost;		
Loans and 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

7 Reserves

	Year Ended 31 March	
	2020	2019
	Pula	Pula
FINANCIAL ASSETS		
Loans and receivables at amortised cost;		
Opening balance	205,389,405	205,389,405
Funds received from Government of Botswana	142,132,108	-
	347,521,513	205,389,405

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**7 Reserves (Continued)**

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

The Strategic Grain Reserve is dependent on the Government of Botswana through the Ministry of Agriculture and Food Security for continued funding. When new funds are received they are accounted as the equity injection into the Strategic Grain Reserve. The Strategic Grain Reserve can be derecognized when the government reduces the Strategic Grain Reserve by withdrawing the funds.

8 Revenue

Sale of goods	50,540,477	-
	50,540,477	-

The Strategic Grain Reserve holds the strategic sorghum, pulses and maize stock piles for the Government of Botswana. Due to the perishability of stock items the Strategic Grain Reserve has to sell its stock periodically. The Strategic Grain Reserve sells its stock to the Botswana Agricultural Marketing Board only. Sales made in the current year relate to sorghum and maize.

9 COST OF SALES

Cost of Sales	48,032,211	-
	48,032,211	-

10 Finance Income

Interest Income	31,749	35,823
	31,749	5,823

11 Administration Expenses

Strategic Grain Reserve Administration charges	18,324,973	16,677,496
Bank charges	4,384	756
	18,329,357	16,678,252

12 Operating Expenses

Unrealised exchange loss	(219,646)	(184,888)
	(219,646)	(184,888)

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

13

Related Parties

Relationships

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

Government of Botswana
Refer to general information page
Dr Benjamin Ditsele (Acting Chief Executive Officer of the Managing Agent)
Shirley Masunga (Acting Head, Finance of the Managing Agent)
Bashi Ratshosa (Head, Operations of the Managing Agent)
(Head, Human Resources and Strategy of the Commercial & Business Development of the
Tumelo Keitumetse (Head, Internal Audit of the Managing Agent)

	Year Ended 31 March	
	2020	2019
	Pula	Pula
Related Party Balances		
Terms and Conditions		
All related party balances are settled on the normal business repayment terms of 30 days. All related party transactions take place at arm's length.		
Sales to related parties		
Botswana Agricultural Marketing Board	50,540,477	-
Amounts included in trade receivables regarding related parties		
Botswana Agricultural Marketing Board	50 540 477	3
Amounts relating to intercompany loans		
Botswana Agricultural Marketing Board	58 230 750	-
Amounts included in trade payables regarding related parties		
Botswana Agricultural Marketing Board_Current	44 036 159	99 286 395
Administration fees paid to related parties		
Botswana Agricultural Marketing Board	18 324 973	16 677 496
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.		

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**13 Related Parties (Continued)**

The Botswana Agricultural Marketing Board is the managing agent appointed by the Government of Botswana to manage the Strategic Grain Reserve. The Strategic Grain Reserve was created by the Government as a storage facility for grain in the event of a natural disaster. The transactions executed between the Botswana Agricultural Marketing Board and the Strategic Grain Reserve are mainly purchase and sale of inventory. The Botswana Agricultural Marketing Board periodically sells the Strategic Grain Reserve inventory to avoid losses due to perishing of inventory. At the end of the year 2020 the Strategic Grain Reserve had P64,394,344 inventory to be sold to the Botswana Agricultural Market Board next financial year.

14 Risk Management**Capital Management**

The Strategic Grain Reserve's objective when managing capital is to safeguard the Strategic Grain 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 Strategic Grain Reserve manages its capital. The Strategic Grain 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 Strategic Grain Reserve monitors its capital structure through the use of gearing ratios, cost of capital calculations, and debt/equity ratios.

Financial Risk Management

The Strategic Grain 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 Strategic Grain Reserve is exposed to market risk, credit risk and liquidity risk.

Market Risk

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

Cash Flow Interest Rate Risk Financial instrument	Current interest rate	Balance at year end
31 March 2020		
Bank balances	3,20%	2,200,264
31 March 2019		
Bank balances	3,20%	1,496,707

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

	Change in interest rate	Effect on profit before tax	Effect on equity
2020	+5%	1587	1587
	-5%	(1587)	(1587)
			-
2019	+5%	1791	1791
	-5%	(1791)	(1791)

Credit Risk

The main customer for the Strategic Grain Reserve is the Botswana Agricultural Marketing Board. Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the Strategic Grain Reserve. The Strategic Grain 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 2020, the amount outstanding from the Strategic Grain Reserve's sole customer, was BWP 108 771 228. The Strategic Grain Reserve does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. Financial assets of the Strategic Grain Reserve, which are subject to credit risk, consist mainly of trade and other receivable and cash resources. The Strategic Grain Reserve holds cash deposits with reputable financial institutions.

The Strategic Grain 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 2020.

Liquidity Risk

Liquidity risk is the risk that the Strategic Grain 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 Strategic Grain Reserve. The Strategic Grain Reserve contemplates approaching Government with funding requirements when adequate funding resources are not available as the Strategic Grain Reserve is in itself a Statutory Corporation.

At 31 March, 2020

	Less than 1 Year	Between 2 and 5 years	Over 5 Years
Trade and other payables	18,324,973	25,711,186	-

At 31 March, 2019

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

Strategic Grain Reserve Financial Statements for the Year Ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (Cont.)**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. To manage the foreign exchange risk the Strategic Grain Reserve ensures that it maintains adequate funds in foreign currency in its bank account. The Strategic Grain Reserve has foreign bank accounts held in ZAR denomination and there is 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). At year end the entity's maximum exposure to the South African Rand was ZAR 1,880,029.

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 Strategic Grain Reserve's profit before tax is due to changes in the fair value of monetary assets.

	Change in interest rate	Effect on profit before tax	Effect on equity
2020	+5%	110,013	110,013
	-5%	(110,013)	(110,013)
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.

Impact of Covid 19 Disclosures

The outbreak of the Covid 19 virus created a threat to the National Food Security which threatened the Strategic Grain Reserve's mandate which is to ensure that there are sufficient grain reserves to feed and sustain the nation at all times especially during periods of general global food shortages. The Ministry of Agricultural Development and Food Security through the Covid Relief Fund immediately responded to the threat and developed mitigation measures to ensure that Strategic Grain Reserve is fully replenished to meet national demand and ensure food security and amount of BWP196,000,000 was subsequently received to augment the current reserves.

[illegible]