



BAMB ANNUAL

REPORT 2020/2021
YOUR AGRI SOLUTIONS HUB



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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.

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

VISION

To be a global benchmark in facilitating food security.

MISSION

We are your Agri-solutions Hub.

VALUES

- Innovation
- Teamwork
- Efficiency
- Accountability

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

- 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, mineral and vitamin supplements.

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 rainfed produce and also informs farmers on market conditions ahead of planting to guide them to plan their production, as well as to access financial support from leading institutions. The information imparted to farmers typically includes crops that the market demands, price projections and other market opportunities in the grain market.

Contract Farming:

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

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

This arrangement facilitates forward buying and selling of commodities

well ahead of delivery of the physical commodity. This facility is open to any farmer who produces locally provided they can produce 10Mt or more per crop. Small farmers can combine their produce to meet the minimum of 10Mt.

Contract Price Benefits

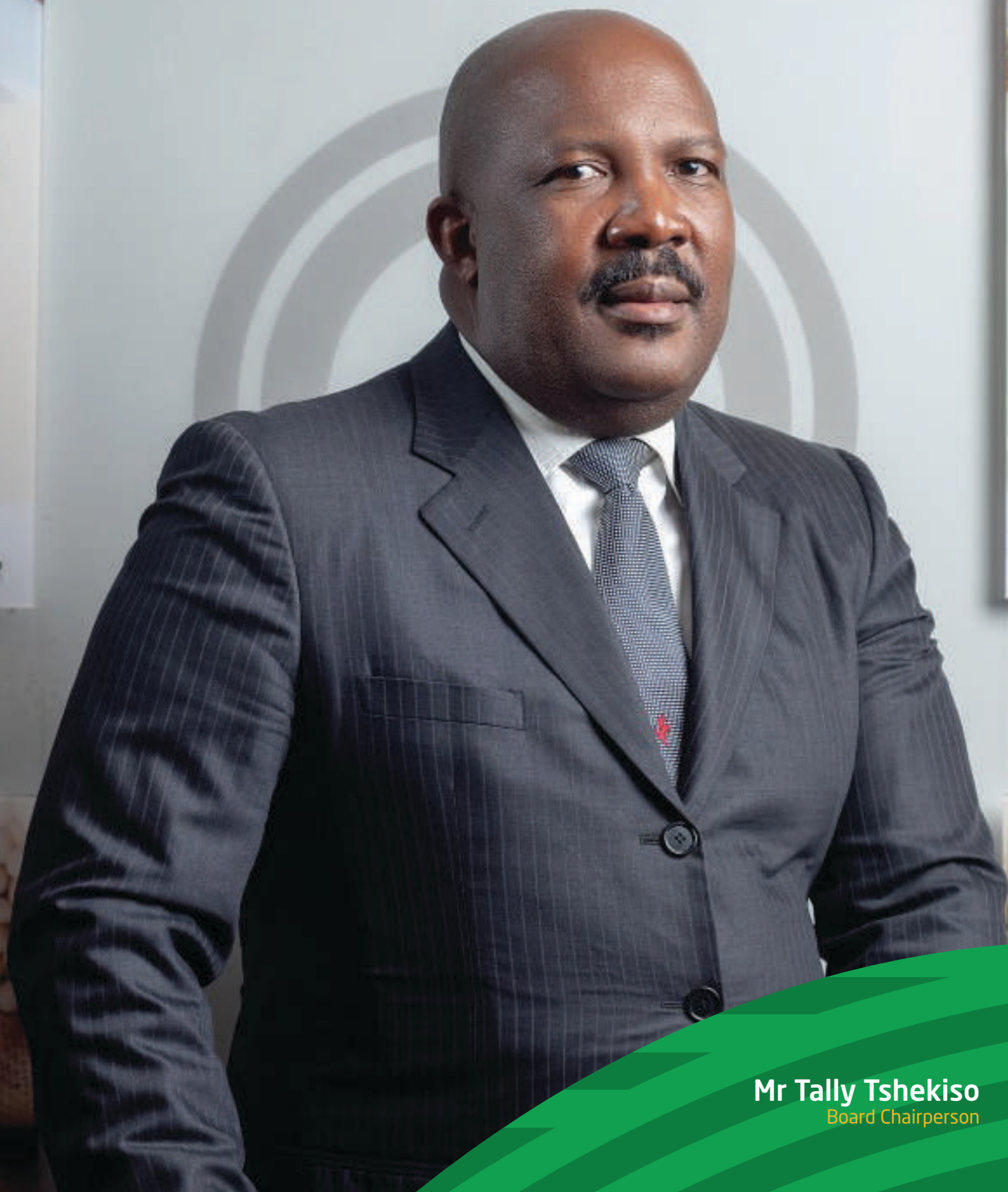
- The contract prices are negotiated and agreed in advance before the next ploughing season.
- These prices offer 100% guaranteed payments on contracted produce despite market dynamics that may influence general price fluctuations.
- The farmer will still sell his produce at the agreed price as per the contract and BAMB will also buy and pay their produce at the agreed contract price.
- In instances where buying (market) prices drop during harvest season, the farmer's income is secured.
- It gives the farmers the opportunity to budget and plan their farming operations well on time.
- On delivery, the producer is paid within a period of 30 days or less.

SERVICES

Custodians of Government Strategic Grain Reserve (SGR):

BAMB is contracted by the Government of Botswana to manage the Strategic Grain

BOARD OF DIRECTORS



Mr Tally Tshekiso
Board Chairperson

BOARD OF DIRECTORS CONT'D



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

MANAGEMENT TEAM



Mr Lameck Nthekela
Acting Chief Executive Officer

MANAGEMENT TEAM CONT'D



Mr Hlubi Gilika
Head, Digital Transformation and Technology



Mr Tumelo Keitumetse
Head, Internal Audit



Ms Segametsi Moemedi
Acting Head, Finance



Ms Ruth Seipone
Head, Strategy and Projects



Mr Pontsho B Montle
Head, Business Development & Retail
Operations



Mr Godfrey Rantshabeng
Head, Supply Chain

BOARD CHAIRPERSON'S STATEMENT



Mr Tally Tshekiso
Board Chairperson

BOARD CHAIRPERSON'S STATEMENT CONT'D

“The Board continued to diligently play its role and responsibility to ensure proper management of Strategic Grain Reserves (SGR) for purposes of national food security. The Covid 19 impact that negatively affected global agricultural production equally affected local farm production as farmers were unable to access their farms during harvest period. Due to total lockdowns during state of emergency interventions, the Board took a decision to transport grains from farm gates to branches which significantly increased transport related costs.”

This report presents the performance update of the Botswana Agricultural Marketing Board for the period beginning 1st April, 2020 to 31st March, 2021. It provides the overall status of the organisation on matters relating to its financial performance, grain purchases, operational performance as well as corporate governance for the year. The Annual Audited Financial Accounts approved by the Board of Directors on the 31st March, 2021 are also presented. This is in accordance with the requirements under Section 17 (1) of the Botswana Agricultural Marketing Board Act CAP 74:06 of 1974.

A full account of activities undertaken by the Board during the financial year on how the operational revenues were generated and utilized is also covered in the Statements of Accounts report.

FOOD SECURITY

The Board continued to diligently play its role and responsibility to ensure proper management of Strategic Grain Reserves (SGR) for purposes of national food security. The Covid 19 impact that negatively affected production in the global agricultural sector also negatively affected profitability of the organisation during the financial year under review. The declaration of the first State of Emergency came at a time when grains were ready for harvest and because farmers were unable to harvest and deliver grains to various branches the entire value chain was negatively affected.

The Board had to quickly devise means

to rescue the situation and a decision was therefore taken to transport grains from farm gates to branches. However, this welcome intervention significantly increased transport related costs which eventually worsened the financial position of the organisation despite reported growth in total revenue.

The Board was however able to replenish both the SGR and still have some grains as commercial stock for sale to the public and other key industry players.

FINANCIAL STATUS

During this financial year, the Board realised a profit loss of P70 million against an anticipated profit gain of P6.6million.

This was just a slight improvement from the previous year where a profit loss of P72 million was recorded. Despite the huge profit loss, the Board recorded a 25% increase in sales from P403 million to P491 million which also resulted in a 23% increase in total revenue from P421 million to P519 million.

The unsatisfactory financial performance of the Board during the year was also exaggerated by non-payment of debts owed by major debtors which continued to negatively affect the Board's cash flow and ability to service its operations.

Operating expenses increased by 19% (P18,388,599) from the previous year mainly due to increased costs of transporting grains from farm gates to BAMB outlets during total lockdown,

as farmers were not able to deliver to branches.

The financial challenges the organisation has been experiencing over the past two years has resulted in failure of the Board to fully adhere to the implementation schedule of the long term Tsosoloso Strategy Plan. The success of the five-year Tsosoloso strategy was mainly project driven and due to financial challenges, most strategic projects were postponed to the next financial year.

CORPORATE GOVERNANCE

The Board of Directors established in accordance with Section 3 of the BAMB Act, CAP 74:06 continued executing its responsibilities guided by the Board Charter. This ensures that deliberations are carried out within corporate governance principles of transparency and integrity as well as holding the Directors accountable for all decisions.

Despite all challenges experienced during this financial year, the Board is determined to improve performance through development of specific interventions to address all its shortcomings.



Tally Tshekiso
Board Chairperson

CHIEF EXECUTIVE OFFICER'S (CEO'S) STATEMENT



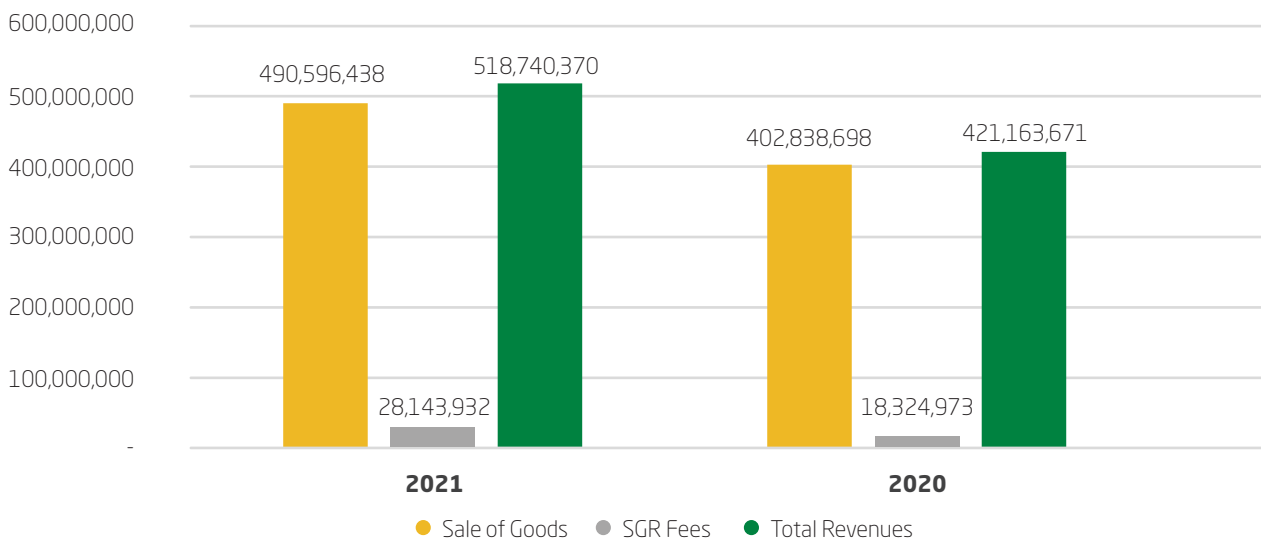
Mr Lameck Nthekela
Acting Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S (CEO'S) STATEMENT CONT'D

FINANCIAL PERFORMANCE

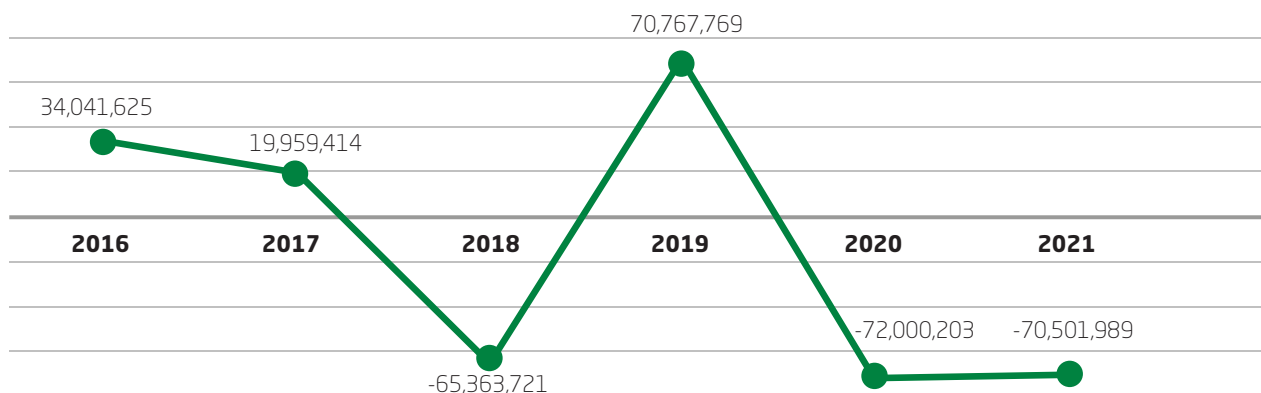
This year the Board's total revenue increased from P421 million to P518 million. The increase was attributed to substantial growth in sales of key products especially sorghum, pulses, feeds and veterinary. There was also noticeable increase in the supply of grains to government through Covid 19 relief food programs which made positive contribution to total sales income.

Sales Revenue



The Board closed with a loss of BWP70 million against a budgeted profit of BWP6.6 million.

Profit/Loss



Sales Revenue a 3.6% (P18,240,370) increase above budget and equally an increase of 23% (P97,586,699) from prior year sales were recorded during the financial year under review.

Cost of Sales were 15% (P57,859,834) above budget and 25% (P92,635,970) above prior year. Therefore, total cost of sales amount moves in line with realised total receipts from sales of goods and sales income receipts.

Gross Profit an 8% (P4,950,732) gross profit above profit recorded in the previous year was realised mainly driven by positive sales margins. Similarly, a 37% below budget gross profits amount of P39,619,464 was recorded for the year.

CHIEF EXECUTIVE OFFICER'S (CEO'S) STATEMENT CONT'D

Other Income was 66% (P93,36708) below income received in the previous year mainly due to loss of other income received from rented properties. Two previously rented warehouses, one in Gaborone and the other in Kasane were converted to full BAMB branches.

Operating Expenses were 19% (P18,388,599) above prior year due to increased tariffs (transport related) during the Covid 19 pandemic.

SGRs Management Fees: The Board recorded a 54% increase in fees received for management of SGR stock compared to the previous years. The fees made a 5.5% contribution to total revenue. Management fees are monthly charges for storage of SGR grain stock and is calculated at 10% of physical stock held at that period.

Gearing: The Board managed to reduce its total borrowings by P17,810,966 from P33,661,988 to P15,851,022 in the current year.

STRATEGIC GRAIN RESERVES

Strategic Grain Reserves Agency Agreement requires that the minimum inventory levels for Sorghum, Maize and Pulses be maintained at 10,000MT; 10,000MT and 5,000MT, respectively. At the end of the financial year, grain levels were all above the required minimums as follows: Maize - 11,533MT; Sorghum - 19,080MT and Pulses - 5,640MT.

PROJECTS IMPLEMENTATION

The financial challenges experienced by the organisation during the review period negatively impacted the implementation of approved strategic projects which were to be key drivers of the overall organisational five year Tsosoloso Strategy. Two (2) key projects, Construction of a Hatchery and the Soil Testing laboratory prioritised for implementation during the year were postponed to the next financial year due to limited finances. These were prioritised on consideration that they will generate more income and improve the profitability of the organisation.

HUMAN RESOURCE MANAGEMENT

BAMB Staff compliment at the start of 2020, was at 301 and by March 2021 the staff compliment was at 302. The board continues bidding for competent and qualified personnel to ensure proper delivery on its mandate and growth of the organisation whilst still remaining relevant.

GRAIN PURCHASES

Harvest Purchases (MT)

	2017	2018	2019	2020	2021
Maize Yellow	4,461	9,697	5,850	765	11,768
Maize - White	931	7,014	4,093	1,648	2,005
Sorghum	23,062	24,681	25,660	37,715	41,568
Millet	214	240	18	5	31
China Peas	94	19	39	72	2,355
Other Cowpeas	8,845	7,731	4,054	3,736	28,461
Sunflower	23	97	65	210	813
Total	37,630	49, 479	39,779	44,151	61,388

Value of Harvest Purchased (BWP)

	2017	2018	2019	2020	2021
Value	202,258,974	209,022,787	122,253,880	139,185,349	285,780,283

CHIEF EXECUTIVE OFFICER'S (CEO'S) STATEMENT CONT'D

OPERATIONAL PERFORMANCE

Producer (Non-Contracted) and Contracted Prices (BWP/MT)

PRODUCT	2017	2018	2019	2020	2021
SORGHUM					
PRODUCER	2,250	2,350	2,675	2,600	2,585
CONTRACT	2700	2,550	2,700	2,650	2,600
MILLET					
PRODUCER	2,200	2,500	2,600	2,700	3,100
CONTRACT	3,000	3,000	3,100	3,100	4,000
MAIZE WHITE					
PRODUCER	1,620	1,595	2,040	2,040	2,183
CONTRACT	2,400	2,100	2,500	2,500	2,700
MAIZE YELLOW					
PRODUCER	1,650	1,595	1,930	1,930	2,263
CONTRACT	-	2,100	-	2,500	2,700
SUNFLOWER					
PRODUCER	2,040	3,126	3,460	3,460	4,446
CONTRACT	-	-	-	-	4,500
GROUNDWATER/JUGO BEANS					
PRODUCER	12,000	9,000	12,500	12,000	12,000
CONTRACT	-	-	12,000	12,000	12,000
TEPARY BEANS					
PRODUCER	6,000	7,000	7,000	7,000	7,000
CONTRACT	-	-	-	-	-
SUGAR BEANS					
PRODUCER	14,000	9,000	11,000	11,000	10,000
CONTRACT	-	-	-	-	10,500
CHINA PEAS/LETLHODI					
PRODUCER	8,400	5,800	7,000	7,000	7,100
CONTRACT	-	-	-	-	7,800
TSWANA COW PEAS					
PRODUCER	14,000	9,000	14,000	9,000	9,000
CONTRACT	-	-	-	-	10,000
WHITE HARICOTS					
PRODUCER	6,400	6,000	7,000	7,000	7,000
CONTRACT	-	-	-	-	-



Lameck Nthekela
Acting Chief Executive Officer



BAMB BOARD GOVERNANCE AND STRUCTURE

INTERNAL AUDIT

The Board is ultimately responsible for overseeing the risk management, control, and governance processes. As a step towards executing this responsibility, the Board has established an Internal Audit Function within the Botswana Agricultural Marketing Board.

As approved in the Internal Audit Charter, Internal Audit Department reports functionally to the Board and administratively to the Chief Executive Officer. It helps the organisation achieve its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, internal controls, and governance processes. The department follows a risk-based approach to its annual internal audit activity plan which is approved by the Audit and Risk Committee.

RISK MANAGEMENT

The Board has approved an ERM Framework which governs the risk management process in BAMB. This is the third year of BAMB's ERM strategy which aims to improve the organisation's ERM maturity level. As part of the strategy the business has now established an independent Risk Office which facilitates Business Continuity Management (BCM), key risk activities, and compliance monitoring.

The Board meet on a quarterly basis to appreciate how the business is exposed and whether proposed key interventions are within tolerable levels. BAMB risks have been categorised as follows:

RISK CATEGORY	RISK DESCRIPTION	RISKS
STRATEGIC	Those risks that are most consequential to the organisation'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 CONT'D

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.

DATE	Board of Directors	Audit and Risk Committee	Human Resources	Board Tender Committee	Value Chain Committee
Dr Gloria Somolekae (Chairperson)	✓				
Mrs Ruth Mphathi	✓	✓		✓	
Ms Ogone Madisa- Kgwarae	✓	✓	✓		
Ms Zibo Nthobatsang	✓		✓		✓
Mr Devin Wheeler	✓			✓	✓
Mr Quett Rabai	✓	✓			✓
Mr Phillip Setiko	✓		✓	✓	
Ms Olebile D. Muzila	✓		✓		
Mr Thabang Botshoma	✓				✓

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'D

Date	Board of Directors	Audit and Risk Committee	Human Resources	Board Tender Committee	Value Chain Committee
Dr Gloria Somolekae (Chairperson)	1/5				
Mrs Ruth Mphathi	5/5	0/2			
Ms Ogone Madisa- Kgwarae	5/5	2/2	2/2		
Ms Zibo Nthobatsang	5/5		2/2		
Mr Devin Wheeler	4/5				
Mr Quett Rabai	5/5				
Mr Phillip Setiko	5/5	2/2	2/2		
Mr Thabang Botshoma	5/5	2/2			
Ms. Olebile D. Muzila	5/5		2/2		

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 Ms. Olebile D. Muzila.

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 Ms Ruth Mphathi. Its other members are 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, Ms Olebile D. Muzila and Mr Phillip Setiko.

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.

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.

BAMB BOARD GOVERNANCE AND STRUCTURE CONT'D

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	2020	2021	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 be done even under the circumstances. This is therefore partly achieved.
1.3	The Board should ensure that the 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.

BAMB BOARD GOVERNANCE AND STRUCTURE CONT'D

Chapter 2 - Boards and Directors				
2.1	The Board should act as the focal point for 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.
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 risks.
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.

BAMB BOARD GOVERNANCE AND STRUCTURE CONT'D

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.
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 he 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.

BAMB BOARD GOVERNANCE AND STRUCTURE CONT'D

2.20	The induction of and on- going training and development of Directors should be conducted through a formal process.	✓	✓	Induction and training of Directors is done through a formal process on an ongoing basis.
2.21	The Board should be assisted by a competent, suitably qualified and experienced Board Secretary.	✓	✓	The Board Secretary is appointed by the Board in accordance with the Board Charter. The Board Secretary is 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	The Board evaluation was not carried out this year.
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.
2.26	Companies should disclose the remuneration of each individual director and prescribed officer.	✓	✓	This has been disclosed under the remuneration section.
2.27	Shareholders should approve the company's remuneration policy.	✓	✓	The remuneration Policy is approved by the Board of Directors in accordance with the Board Charter.
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.
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.
3.4	The Audit Committee should oversee integrated reporting.	X	X	The first integrated report is to be produced in 2021/2022 and the Audit Committee will be overseeing it.
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.

BAMB BOARD GOVERNANCE AND STRUCTURE CONT'D

3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Organisation's finance function.	P	✓	The Audit and Risk Committee review finance staffing on a quarterly basis.
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.
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 & 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.
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.

BAMB BOARD GOVERNANCE AND STRUCTURE CONT'D

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 2021/2022, 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.
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.	✓	✓	Compliance is monitored, assessed and responded to through BAMB's risk management process. A formal Compliance framework has been developed.

BAMB BOARD GOVERNANCE AND STRUCTURE CONT'D

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.
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 - Intergrated 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 2021/2022 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 2021/2022 financial year.
9.3	Sustainability reporting and disclosure should be independently assured.	X	X	The first integrated report will be produced in 2021/2022 financial year.

Audited Annual Financial Statements

for the year ended 31 March 2021

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General Information

Country of incorporation and domicile

Botswana

Nature of business and principal activities

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

Members of the Board

Mr Tally Tshekiso	Chairperson-appointed 01/03/21
Ms Ruth Mphathi	Deputy Chairperson
Mr Modisa Kebonyemodisa	
Mr Quett Rabai	
Ms Ogone Madisa-Kgwarae	
Col. Duke Masilo	
Mr Gaamangwe Maruatona	
Mrs Olebile Daphney Muzila	Appointed 01/12/20
Mr Phillip Setiko	Appointed 01/12/21
Mr David Theetso Reetsang	Appointed 01/12/21
Mr Boago Sennanyana	Appointed 01/12/20
Mrs Lesedi Modo	Appointed 01/12/20
Mr Joshua Molo	Appointed 01/12/20
Dr Gloria Somolekae	Chairperson-resigned 01/03/21
Ms Zibo Nthobatsang	Resigned 01/12/20
Mr Devin Wheeler	Resigned 01/12/20
Mr Thabang Botshoma	Resigned 01/12/20

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

Bankers

Bank Gaborone Limited
Standard Chartered Bank of Botswana Limited
ABSA Bank Botswana Limited
First National Bank of Botswana Limited

Independent auditor

Grant Thornton
Plot 50370 Acumen Park Fairgrounds
Gaborone Botswana

Board registration number

687900

Functional and presentation currency

Botswana Pula (P)

The Board's Responsibility and Approval of the Financial Statements

The Members of the Board are responsible for the preparation and fair presentation of the financial statements of Botswana Agricultural Marketing Board ("the Board"), comprising the statement of financial position at 31 March 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and notes to the financial statements, in accordance with International Financial Reporting Standards (IFRS).

The Members of the Board are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the Board's responsibility to ensure that these financial statements fairly present the state of affairs of the Botswana Agricultural Marketing Board as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS.

The Members of the Board's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The Members of the Board's responsibility also includes maintaining adequate accounting judgements and an effective system of risk management.

The Members of the Board acknowledge that they are ultimately responsible for the system of internal financial control established by Botswana Agricultural Marketing Board and place considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the organisation and all employees are required to maintain the highest ethical standards in ensuring the organisation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

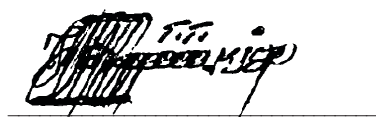
The Members of the Board are also responsible for the appointment of the auditors in accordance with the Botswana Agricultural Marketing Board Act (CAP 74:06). The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Based on Board's cash flow forecasts for the ensuing financial year and the continued support from the Government of the Republic of Botswana, the Board has no reason to believe that the Board will not be a going concern in the foreseeable future. Consequently, these financial statements have been prepared on a going concern basis.

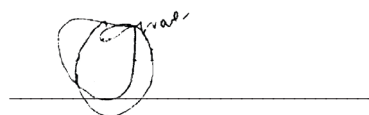
The independent auditors are responsible for independently auditing and reporting on Board's financial statements. The financial statements have been examined by the Board's independent auditors and their report is presented on pages 40 to 42.

Approval of the financial statements:

The financial statements set out on pages 43 to 81, which are prepared on the going concern basis, were approved by the Members of the Board on 25 March 2022 and were signed on their behalf by:



Mr Tally Tshekiso
Board Chairman



Ogone Madisa-Kgwarae
Audit and Risk Committee Chairperson



Independent Auditor's Report

CHARTERED ACCOUNTANTS GRANT THORNTON

ACUMEN PARK, PLOT 50370
FAIRGROUNDS, GABORONE
P O BOX 1157
GABORONE, BOTSWANA
T +267 395 2313
F +267 397 2357
LINKEDIN.COM/COMPANY/GRANT-THORNTON-BOTSWANA
TWITTER.COM/GRANTTHORNTONBW

OPINION

We have audited the annual financial statements of the Botswana Agricultural Marketing Board (the "Board") set out on pages 43 to 81, which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other 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 annual financial Statements give a true and fair view of, the financial position of the Botswana Agricultural Marketing Board as at 31 March 2021, and 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 FOR OPINION

We conducted our audit in accordance with International Standards on Auditing. 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 Authority in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1 and 3) (IESBA Code) and other independence requirements applicable to performing audits of Annual Financial Statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 29 in the annual financial statements, which indicates that the organisation incurred a net loss of P70 501 989 during the year ended 31 March 2021 and, accumulated losses of P 200 577 825 and, as of that date, the organisation's total liabilities exceeded its assets by P 71 423 867. As stated in note 29, these events or conditions, along with other matters as set forth in note 29, indicate that a material uncertainty exist that may cast significant doubt on the organisation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial Statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and the report below is not intended to constitute separate opinions on those key audit matters.

Key Audit Matter	How the matter was addressed in our audit
<p>Valuation of property</p> <p>The organisation owns buildings as disclosed under note 3 and 5 of the annual financial statements.</p> <p>The valuation of the property is a significant judgment area and is underpinned by assumptions including estimated future rental and yields. The Board uses professionally qualified external valuers to perform the fair value of the properties.</p> <p>Disclosures on the buildings in self use are under note 3 and investment properties are under note 5 to the financials.</p>	<p>We met with the external valuers to discuss the valuation process, evaluate significant assumptions and critical judgement areas, including estimated rental values, yields, future net operating income and discount rates.</p> <p>We assessed the competence, independence and integrity of the external valuers.</p> <p>We performed audit procedures to assess the integrity of information provided to the external valuers including rental schedules to underlying lease agreement. We also noted that the valuation is reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation- Global Standards. Consequently, less certainty and a higher degree of caution- should be attached to the external valuers valuation than would normally be the case. Since the future impact that COVID-19 might have on the real estate market is still unknown, it's recommended by the external valuers that the valuation of the property are kept under frequent review.</p>



Independent Auditor's Report

Key Audit Matter	How the matter was addressed in our audit
Allowance for losses on trade and other receivables As at 31 March 2021, the Board recognized net trade and other receivables of P64.9 million (2020 – P58.3 million) net of expected credit loss allowances of P154.0 million (2020- P132.9 million).	<p>We considered the appropriateness of adopted accounting policies and assessed the impairment methodologies applied, and compared these to the requirements of IFRS 9 Financial Instruments.</p> <p>We assessed the adequacy of the methodology used by the Organisation to identify trade and other receivables impairment and calculate provision.</p> <p>We evaluated appropriateness of provisioning methodologies and application.</p> <p>Our audit response focused on the significant inputs used by management in their impairment calculation. We formed an independent view on levels of provisions required by examining available external and internal information. We did not identify any exceptions through this exercise.</p>

OTHER MATTER

The annual financial statements of the Board for the year ended 31 March 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 08 July 2021.

OTHER INFORMATION

The Members of the Board are responsible for the other information. The other information comprises the information included in the document titled "Botswana Agricultural Marketing Board Annual Financial Statements for the year ended 31 March 2021", which includes the 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 other information does not include the financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 ANNUAL FINANCIAL STATEMENTS

The Members of the Board are responsible for the preparation and fair presentation of the annual financial statements in accordance with the 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 annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Members of the Board are responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members of the Board either intend to liquidate the 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 process.



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the annual 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 International Standards on Auditing 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 annual financial statements.

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

- Identify and assess the risks of material misstatement of the annual 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 organisation'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 Boards' 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 annual 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 annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the Members of the Board, we determine those matters that were of most significance in the audit of the annual financial statements of the current year 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.



Chartered Accountants
Certified Auditor: Madhavan Venkatachary (Memb No:20030049)
Certified Auditor of Public Interest Entity
Certificate Number: CAP 0017 2022

25 March 2022

Gaborone

Statement of Financial Position

As at 31 March 2021

Figures in Pula	Note(s)	2021	2020 Restated *	2019
Assets				
Non-Current Assets				
Property, plant and equipment	3	120,085,321	84,377,561	81,399,759
Right-of-use assets	4	2,385,393	2,850,623	-
Investment property	5	23,200,000	22,900,000	22,800,000
		145,670,714	110,128,184	104,199,759
Current Assets				
Inventories	6	75,237,287	91,536,417	107,142,115
Trade and other receivables	7	64,946,445	58,287,928	76,688,697
Cash and cash equivalents	8	8,643,126	1,932,798	579,512
		148,826,858	151,757,143	184,410,324
Total Assets		294,497,572	261,885,327	288,610,083
Equity and Liabilities				
Equity				
Government equity	9	28,455,061	28,455,061	28,455,061
Revaluation reserve	10	100,698,897	71,134,419	73,287,275
Stabilisation fund		-	-	9,017,668
Accumulated loss		(200,577,825)	(131,854,196)	(62,006,849)
		(71,423,867)	(32,264,716)	48,753,155
Liabilities				
Non-Current Liabilities				
Bank loan	11	15,851,022	33,661,988	-
Lease liabilities	12	2,191,080	1,362,573	-
Deferred tax	13	1,811,992	-	-
		19,854,094	35,024,561	-
Current Liabilities				
Trade and other payables	14	290,290,474	177,874,891	48,951,789
Bank loan	11	17,810,965	16,486,128	41,200,000
Lease liabilities	12	368,887	1,663,635	-
Deferred income	15	7,164,700	7,164,700	7,164,700
Current tax payable		858,957	2,060,472	2,099,219
Provisions	16	-	8,563,247	8,563,247
Dividend payable	17	7,155,180	7,155,180	7,155,180
Bank overdraft	8	22,418,182	38,157,229	124,722,793
		346,067,345	259,125,482	239,856,928
Total Liabilities		365,921,439	294,150,043	239,856,928
Total Equity and Liabilities		294,497,572	261,885,327	288,610,083

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

Figures in Pula	Note(s)	2021	2020 Restated *
Revenue	18	518,740,370	421,153,671
Cost of sales	19	(452,222,762)	(359,586,792)
Gross profit		66,517,608	61,566,879
Other income	20	4,650,423	13,987,131
Movement in credit loss allowances	7	(21,144,551)	(40,998,254)
Other operating expenses		(114,945,619)	(96,557,020)
Operating (loss) profit	21	(64,922,139)	(62,001,264)
Finance income	22	168,857	88,938
Finance costs	23	(5,748,707)	(10,087,877)
(Loss) profit before taxation		(70,501,989)	(72,000,203)
Taxation	24	-	-
(Loss) profit for the year		(70,501,989)	(72,000,203)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of property and motor vehicles		33,154,830	-
Income tax relating to items that will not be reclassified		(1,811,992)	-
Total items that will not be reclassified to profit or loss		31,342,838	-
Other comprehensive income for the year net of taxation		31,342,838	-
Total comprehensive (loss) income for the year		(39,159,151)	(72,000,203)

The accounting policies on pages 47 to 57 and the notes on pages 58 to 81 form an integral part of the financial statements.

For the year ended 31 March 2021

Note(s)	9	9	10
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The accounting policies on pages 47 to 57 and the notes on pages 58 to 81 form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 31 March 2021

Figures in Pula	Note(s)	2021	2020 Restated *
Cash flows from operating activities			
Loss before taxation		(70,501,989)	(72,000,203)
Adjustments for:			
Depreciation and amortisation		10,023,146	8,791,675
Finance income		(168,857)	(88,938)
Finance costs		5,748,707	10,087,877
Impairment losses and expected credit losses		21,144,551	40,998,254
Movements in provisions		(8,563,247)	-
Fair value gain on investment property		(300,000)	(100,000)
Profit on disposal of property, plant and equipment		(311,346)	-
Inventory losses and write offs		8,522,161	11,071,156
Utilisation of capital grants		-	(9,017,668)
Deferred lease liability		-	(223,589)
Loss on revaluation of motor vehicles		1,504,909	-
Changes in working capital:			
Inventories		7,776,969	4,534,542
Trade and other receivables		(27,803,068)	(22,597,485)
Trade and other payables		112,415,583	129,146,705
Cash generated from operations		59,487,519	100,602,326
Tax paid	25	(1,201,515)	(38,747)
Net cash from operating activities		58,286,004	100,563,579
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(12,290,712)	(9,882,055)
Sale of property, plant and equipment	3	311,346	-
Net cash from investing activities		(11,979,366)	(9,882,055)
Cash flows from financing activities			
Cash received from bank loan		-	52,400,000
Repayment of bank loan		(16,486,129)	(43,451,884)
Payment on lease liabilities		(1,791,284)	(1,711,851)
Finance income		168,857	88,938
Finance costs		(5,748,707)	(10,087,877)
Net cash from financing activities		(23,857,263)	(2,762,674)
Total cash movement for the year		22,449,375	87,918,850
Cash at the beginning of the year		(36,224,431)	(124,143,281)
Total cash at end of the year	8	(13,775,056)	(36,224,431)

Significant Accounting Policies

For the year ended 31 March 2021

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Botswana Agricultural Marketing Board Act 1974 (CAP 74:06). The 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 financial statements of the Strategic Grain Reserve are disclosed separately and not consolidated into Botswana Agricultural Marketing Board due to the reasons below;

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

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

These accounting policies are consistent with the previous period.

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The critical judgements and estimations that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Trade receivables - measurement of the expected credit loss allowance

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

- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL. Inventories - allowance for slow moving, damaged and obsolete stock.

Significant Accounting Policies

For the year ended 31 March 2021

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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.

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.

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.

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 14.

Revaluation of property, plant and equipment

The Botswana Agricultural Marketing Board measures property plant and equipment at revalued amounts with changes in fair value 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).

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.

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.

Significant Accounting Policies

For the year ended 31 March 2021

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value of investment properties was determined by using market comparable method. This means that valuations performed by the valuers 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 valuers.

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

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 Board; and the cost of the item can be measured reliably.

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

Property, plant and equipment is subsequently carried at revalued amounts less accumulated depreciation and any impairment losses, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Furniture and fittings are not carried at fair value rather they are 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	Depreciation method	Average useful life
Freehold land	Straight line	50 years
Land and buildings	Straight line	40 years
Plant and machinery	Straight line	5 years
Furniture and fixtures	Straight line	3 - 5 years
Motor vehicles	Straight line	3 - 5 years
Right of use assets	Straight line	Shorter of useful term and the useful life of the underlying asset

Significant Accounting Policies

For the year ended 31 March 2021

1.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The residual value, useful life of each asset and, depreciation methods are reviewed at each financial period- end, and adjusted prospectively if appropriate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

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

1.4 FINANCIAL INSTRUMENTS

Initial recognition and measurement

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

1. 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.
2. 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.

Financial Assets

Classification and subsequent measurement

The Board classifies its financial assets as financial assets at amortised cost. The classification requirements for debt instruments measured at amortised cost are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

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

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

Amortised cost

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

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.

Significant Accounting Policies

For the year ended 31 March 2021

1.4 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Cash and Cash Equivalents

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.

Impairment of financial assets

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

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

The Board writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 90 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Board's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

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

Significant Accounting Policies

For the year ended 31 March 2021

1.4 FINANCIAL INSTRUMENTS (CONTINUED)

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.

Derecognition of financial liabilities

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

1.5 TAXATION

Current tax assets and liabilities

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.

Deferred tax assets and liabilities

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised:

- 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Board expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

1.6 LEASES

The board assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Significant Accounting Policies

For the year ended 31 March 2021

1.6 LEASES (CONTINUED)

Botswana Agricultural Marketing Board as lessee

The Botswana Agricultural Marketing Board assesses whether a contract is or contains a lease at inception of the contract. The Board recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Board recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Board uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.
- The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Board remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, less lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Board incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Board expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Board applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment policy.

Significant Accounting Policies

For the year ended 31 March 2021

1.6 LEASES (CONTINUED)

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Board has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Board allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Botswana Agricultural Marketing Board as lessor

The Board enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Board is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Board is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Board's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Board's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Board regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance). When a contract includes both lease and non-lease components, the Board applies IFRS 15 to allocate the consideration under the contract to each component.

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. measured at the lower of cost and net realisable value.

1.8 IMPAIRMENT OF 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 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.

Significant Accounting Policies

For the year ended 31 March 2021

1.8 IMPAIRMENT OF ASSETS (CONTINUED)

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

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

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

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

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

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

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 EMPLOYEE BENEFITS

Short-term employee benefits

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

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

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

Defined contribution plans

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

1.11 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

Significant Accounting Policies

For the year ended 31 March 2021

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

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

1.12 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

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 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 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.

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).

1.13 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.

Significant Accounting Policies

For the year ended 31 March 2021

1.13 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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 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 valuers 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 Board accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.15 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.

1.16 TRANSLATION OF FOREIGN CURRENCIES

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.

Notes to the Financial Statements

For the year ended 31 March 2021

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the board has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation:	Effective Date: Years Beginning on or After	Expected Impact:
• COVID-19 - Related Rent Concessions - Amendment to IFRS 16	01 June 2020	The impact of the amendment is not material to these financial statements.
• Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	01 January 2020	The impact of the amendment is not material to these financial statements.
• Definition of a business - Amendments to IFRS 3	01 January 2020	The impact of the amendment is not material to these financial statements.
• Presentation of Financial Statements: Disclosure initiative	01 January 2020	The impact of the amendment is not material to these financial statements.
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	The impact of the amendment is not material to these financial statements.

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Botswana Agricultural Marketing Board has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Board's accounting periods beginning on or after 01 April 2021:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on Board's financial statements.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the financial statements.

The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The amendment is effective for financial years beginning on or after 01 January 2023.

Notes to the Financial Statements

For the year ended 31 March 2021

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTINUED)

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."

The amendment is effective for financial years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The amendment is effective for financial years beginning on or after 01 January 2023. The Board expects to adopt the amendment for the first time in the 2024 financial statements.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The amendment is effective for financial years beginning on or after 01 January 2023. The Board expects to adopt the standard for the first time in the 2024 financial statements.

It is unlikely that the standard will have a material impact on the Board's financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The amendment is effective for financial years beginning on or after 01 January 2022. The Board expects to adopt the amendment for the first time in the 2023 financial statements.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements.

Notes to the Financial Statements

For the year ended 31 March 2021

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The amendment is effective for financial years beginning on or after 01 January 2022. The Board expects to adopt the amendment for the first time in the 2023 financial statements.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The amendment is effective for financial years beginning on or after 01 January 2022. The Board expects to adopt the amendment for the first time in the 2023 financial statements.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The amendment is effective for financial years beginning on or after 01 January 2022. The Board expects to adopt the amendment for the first time in the 2023 financial statements.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The amendment is effective for financial years beginning on or after 01 January 2022. The Board expects to adopt the amendment for the first time in the 2023 financial statements.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41

"Taxation" has been removed from the list of cash flows excluded from the fair value determination of biological assets.

The amendment is effective for financial years beginning on or after 01 January 2022. The Board expects to adopt the amendment for the first time in the 2023 financial statements.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Notes to the Financial Statements

For the year ended 31 March 2021

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4

An insurer applying the temporary exemption from IFRS 9 shall apply the new requirements of IFRS 9 concerning situations where a change in the basis for determining the contractual cash flows of a financial asset or financial liability is required by interest rate benchmark reform.

The amendment is effective for financial years beginning on or after 01 January 2021. The Board expects to adopt the amendment for the first time in the 2022 financial statements.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform.

The amendment is effective for financial years beginning on or after 01 January 2021. The board expects to adopt the amendment for the first time in the 2022 financial statements.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows. Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The amendment is effective for financial years beginning on or after 01 January 2021. The Board expects to adopt the amendment for the first time in the 2022 financial statements. It is unlikely that the amendment will have a material impact on the Board's financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The amendment is effective for financial years beginning on or after 01 January 2021. The Board expects to adopt the amendment for the first time in the 2022 financial statements.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39

Temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of financial items as hedged items have been added to hedge relationships specifically impacted by interest rate benchmark reform. The amendment is effective for financial years beginning on or after 01 January 2021. The Board expects to adopt the amendment for the first time in the 2022 financial statements.

It is unlikely that the amendment will have a material impact on the Board's financial statements.

Notes to the Financial Statements

For the year ended 31 March 2021

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

COVID-19 - Related Rent Concessions - Amendment to IFRS 16

The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2022 and
- there is no substantive change to other terms and conditions of the lease.

The amendment is effective for financial years beginning on or after 01 June 2020. The Board expects to adopt the amendment for the first time in the 2022 financial statements. It is unlikely that the amendment will have a material impact on the Board's financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost or revaluation	2021 Accumulated depreciation	Carrying amount	Cost or revaluation	2020 Accumulated depreciation	Carrying amount	Cost or revaluation	2019 Accumulated depreciation	Carrying amount
Land and buildings	96,359,167	(68,334)	96,290,833	91,552,381	(19,523,223)	72,029,158	89,389,961	(17,091,720)	72,298,241
Plant and machinery	23,597,961	(15,694,135)	7,903,826	18,843,076	(12,939,490)	5,903,586	15,310,225	(10,893,140)	4,417,085
Furniture and fixtures	1,907,742	(1,903,781)	3,961	1,832,931	(1,743,826)	89,105	1,615,743	(1,493,987)	121,756
Motor vehicles	15,886,701	-	15,886,701	24,359,149	(18,003,437)	6,355,712	20,063,943	(15,826,889)	4,237,054
Capital - Work in progress	-	-	-	-	-	-	325,612	-	325,612
Total	137,751,571	(17,666,250)	120,085,321	136,587,537	(52,209,976)	84,377,561	126,705,484	(45,305,736)	81,399,748

Reconciliation of property, plant and equipment - 2021

	Opening carrying amount	Additions	Transfers	Revaluations	Depreciation loss	Impairment carrying amount	Closing
Land and buildings	72,029,158	342,313	18,639	26,145,783	(2,245,060)	-	96,290,833
Plant and machinery	5,903,586	4,754,893	(18,639)	-	(2,736,014)	-	7,903,826
Furniture and fixtures	89,105	74,811	-	-	(159,955)	-	3,961
Motor vehicles	6,355,712	7,118,695	-	7,009,047	(3,091,844)	(1,504,909)	15,886,701
	84,377,561	12,290,712	-	33,154,830	(8,232,873)	(1,504,909)	120,085,321

Notes to the Financial Statements

For the year ended 31 March 2021

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment - 2020

	Opening amount carrying	Additions	Transfers	Depreciation	Closing amount carrying
Land and buildings	72,298,240	1,836,808	325,612	(2,431,502)	72,029,158
Plant and machinery	4,417,085	3,532,851	-	(2,046,350)	5,903,586
Furniture and fixtures	121,755	217,189	-	(249,839)	89,105
Motor vehicles	4,237,053	4,295,207	-	(2,176,548)	6,355,712
Capital - Work in progress	325,612	-	(325,612)	-	-
	81,399,745	9,882,055	-	(6,904,239)	84,377,561

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Land and buildings	73,902,072	786,657	(2,390,488)	72,298,241
Plant and machinery	6,359,919	859,817	(2,802,651)	4,417,085
Furniture and fixtures	429,249	47,816	(355,309)	121,756
Motor vehicles	6,531,986	811,631	(3,106,563)	4,237,054
Capital - Work in progress	325,612	-	-	325,612
	87,548,838	2,505,921	(8,655,011)	81,399,748

Revaluations

An independent expert was engaged to revalue the property, plant and equipment of Botswana Agricultural Marketing Board effective 31st March 2021. The revaluation resulted in a revaluation gain of P33.1 million which was recognised directly in equity through other comprehensive income and a revaluation loss of P1.5 million on certain motor vehicles which was recognised in profit or loss.

The carrying value of the revalued assets under the cost model would have been:

2021	Land and buildings	Plant and machinery	Motor vehicles	Total
Cost	92,377,662	22,262,533	26,448,286	141,088,481
Accumulated depreciation	(72,029,159)	(14,340,068)	(16,065,723)	(102,434,950)
Carrying amount	20,348,503	7,922,465	10,382,563	38,653,531
2020	Land and buildings	Plant and machinery	Motor vehicles	Total
Cost	91,552,381	18,843,076	24,359,148	134,754,605
Accumulated depreciation	(72,298,240)	(12,939,491)	(18,003,437)	(103,241,168)
Carrying amount	19,254,141	5,903,585	6,355,711	31,513,437

Notes to the Financial Statements

For the year ended 31 March 2021

4. RIGHT-OF-USE ASSETS

In Pula	Properties	Motor vehicles *	Total carrying amount
Balance at 1 April 2019	1,469,109	3,268,950	4,738,059
Balance at 31 March 2020	1,469,109	3,268,950	4,738,059
Modifications	1,325,043	-	1,325,043
Balance as at 31 March 2021	2,794,152	3,268,950	6,063,102
Accumulated depreciation			
Depreciation charge - year ended 31 March 2020	164,533	1,722,903	1,887,436
Balance at 31 March 2020	164,533	1,722,903	1,887,436
Depreciation charge - year ended 31 March 2021	333,735	1,456,538	1,790,273
Balance as at 31 March 2021	498,268	3,179,441	3,677,709

Net book value

Net book value	Properties	Motor vehicles *	Total carrying amount
Carrying amount - 31 March 2020	1,304,576	1,546,047	2,850,623
Carrying amount - 31 March 2021	2,295,884	89,509	2,385,393

Refer to Note 12 for details of the Board's leasing arrangements.

5. INVESTMENT PROPERTY

The Botswana Agricultural Marketing Board's investment properties consist of commercial properties leased in Kasane and Gaborone.

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 who have over thirteen years of relevant property valuation experience.

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

Investment property reconciliation	2021	2020	2019
Opening balance	22,900,000	22,800,000	23,265,000
Fair value gain	300,000	100,000	(465,000)
	23,200,000	22,900,000	22,800,000
Amounts recognised in profit and loss for the year			
Rental income from investment property	497,124	2,106,910	1,980,543
Direct operating expenses from rental generating property	(6,657)	(43,680)	(59,360)
	490,467	2,063,230	1,921,183

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

Notes to the Financial Statements

For the year ended 31 March 2021

5. INVESTMENT PROPERTY (CONTINUED)

Description of valuation technique

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

Investment properties are categorised as level 3 within the fair value hierarchy refer to Note 28 for the level of the fair value hierarchy within which the fair value measurement is categorised.

6. INVENTORIES

Merchandise	83,983,441	102,607,573	126,204,572
Inventories write-downs	(8,746,154)	(11,071,156)	(19,062,457)
	75,237,287	91,536,417	107,142,115

Botswana Agricultural Marketing Board maintains Strategic Grain Reserves (SGR) on behalf of the Government of the Republic of Botswana. The values of these inventories are excluded from the year end inventory value recorded in the books of Botswana Agricultural Marketing Board. These are separately recorded in the financial records of the Strategic Grain Reserve. The SGR's inventory at the financial reporting date was valued at P127,048,113 (2020: P64,394,344). The inventories held by the Board are sorghum, maize, pulses, fertilizers, seeds and veterinary medicines. During 2021, P452,222,762 (2020: P344,056,727) was recognised as an expense (in cost of sales) for inventories carried at the lower of cost or net realisable value.

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

First covering mortgage bond in favour of the bank in the amount of P30,000,000 over plot number 14395 in Gaborone and a deed of hypothecation for P150,000,000 over inventories and receivables.

- P6 300 000 over Tribal Lot 194, Pandamatenga
- P7,200,000 over Tribal Lot 2440, Francistown
- Deed of hypothecation over stock for P68,811,463.
- Cession of debtors from the Ministry of Agricultural Development and Food Security

Notes to the Financial Statements

For the year ended 31 March 2021

6. INVENTORIES (CONTINUED)

Carrying amount of encumbered assets			
Lot 14395 Gaborone	30,500,000	30,500,000	30,400,000
Tribal Lot 194 Pandamatenga	8,867,272	8,867,272	-
Tribal Lot 2440, Francistown	8,772,974	8,772,974	-
Inventories	75,237,287	91,536,417	107,142,115
Trade and other receivables	64,946,445	58,287,928	76,688,697
	188,323,978	197,964,591	214,230,812

7. TRADE AND OTHER RECEIVABLES

Financial instruments:			
Trade receivables	190,145,515	159,395,798	146,057,143
Subsidy claims	22,519,341	22,519,341	22,519,341
Provision for credit losses	(154,016,963)	(132,872,412)	(95,696,763)
Trade receivables at amortised cost	58,647,893	49,042,727	72,879,721
Other receivables	2,579,276	2,131,010	2,365,904
Non-financial instruments:			
Prepayments	3,719,276	7,114,191	1,443,072
Total trade and other receivables	64,946,445	58,287,928	76,688,697

Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	61,227,169	51,173,737	75,245,625
Non-financial instruments	3,719,276	7,114,191	1,443,072
	64,946,445	58,287,928	76,688,697

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 the model ignores these factors in deriving the impairment.

The loss allowance provision is determined as follows:

Notes to the Financial Statements

For the year ended 31 March 2021

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

	2021 Estimated gross carrying amount at default	2021 Loss allowance (Lifetime expected credit loss)	2020 Estimated gross carrying amount at default	2020 Loss allowance (Lifetime expected credit loss)	2019 Estimated gross carrying amount at default	2019 Loss allowance (Lifetime expected credit loss)
Government debtors						
Not past due: 6.26% (2020: 2.10%)	12,018,864	751,978	6,712,682	141,146	21,128,968	1,595,243
Less than 30 days past due: 34.86% (2020: 50.48%)	14,373,236	5,010,571	4,286,756	2,164,134	4,374,388	2,175,435
31 - 60 days past due: 81.99% (2020: 63.94%)	3,143,069	2,576,872	5,283,954	3,378,387	165,681	96,670
61 - 90 days past due: 92.62% (2020: 67.31%)	889,538	823,848	1,075,210	723,704	454,584	364,606
More than 90 days past : 91.86% (2020: 100%)	133,199,868	124,190,054	107,054,522	107,054,522	73,597,642	68,584,717
	163,624,575	133,353,323	124,413,124	113,461,893	99,721,263	72,816,671
Drought subsidy program						
Not past due: N/A (2020: 6.21%)	-	-	2,865,932	178,091	-	-
Less than 30 days past due: N/A (2020: 6.81%)	-	-	1,894,499	129,038	-	-
31 - 60 days past due: N/A (2020: 6.97%)	-	-	1,752,696	122,179	-	-
61 - 90 days past due: N/A (2020: 7.48%)	-	-	1,713,379	128,136	-	-
More than 90 days past due: N/A (2020: 7.43%)	-	-	9,285,700	690,308	-	-
	-	-	17,512,206	1,247,752	-	-
Transport debtors						
Not past due: 14.68% (2020: 13.66%)	13,763	2,021	52,057	7,109	103,019	3,299
Less than 30 days past due: 63.07% (2020: N/A)	2,532	1,597	-	-	36,867	4,021
31 - 60 days past due: 73.65% (2020: N/A)	6,610	4,868	-	-	14,158	2,603
61 - 90 days past due: N/A (2020: 93.31%)	-	-	1,554	1,450	168	135
More than 90 days past due: 100% (2020: 100%)	223,100	223,100	169,498	169,498	243,370	226,199
	246,005	231,586	223,109	178,057	397,582	236,257
Corporate debtors						
Not past due: 6.60% (2020: 2.50%)	23,051,397	1,521,922	19,100,669	477,149	26,054,561	4,370,306
Less than 30 days past due: 9.86% (2020: 16.22%)	4,807,318	473,845	2,241,742	363,677	664,440	330,325
31 - 60 days past due: 57.74% (2020: 63.36%)	1,139,367	657,868	480,251	304,271	193,588	132,294
61 - 90 days past due: 90.80% (2020: 95.04%)	749,321	680,371	507,668	482,477	115,802	96,290
More than 90 days past due: 99.13% (2020: 100%)	16,471,290	16,328,006	15,443,847	15,443,847	15,238,789	14,405,080
	46,218,693	19,662,012	37,774,177	17,071,421	42,267,180	19,334,295

Notes to the Financial Statements

For the year ended 31 March 2021

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

Individual debtors						
Not past due: 0% (2020: 0%)	1,805,541	-	1,079,234	-	359,146	65,214
Less than 30 days past due: X% (2020: 0%)	-	-	-	-	34,850	15,828
31 - 60 days past due: N/A% (2020: 100%)	-	-	-913,289	-913,289	45,237	29,154
91 - 120 days past due: 100% (2020: N/A%)	770,042	770,042	-	-	3,231,885	3,199,244
	2,575,583	770,042	1,992,523	913,289	3,671,118	3,309,440
Total	212,664,856	154,016,963	181,915,139	132,872,412	146,057,143	95,696,663

Reconciliation of loss allowances

The following table shows the movement in the loss allowance for trade receivables:

Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	-	-	(25,834,751)
Adjustments upon application of IFRS 9	-	-	(140,208,302)
Opening balance	(132,872,412)	(95,696,763)	(166,043,053)
Additional provision for expected credit losses recognised	(21,144,551)	(14,656,308)	70,346,290
Closing balance	(154,016,963)	(110,353,071)	(95,696,763)
Amounts in the profit or loss account regarding credit losses comprise of:			
Receivables write offs directly to income statement	-	3,822,605	-
Movement in expected credit losses	21,144,551	14,656,308	(70,346,290)
	21,144,551	18,478,913	(70,346,290)

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	248,032	184,483	235,990
Bank balances	4,106,423	1,748,315	343,521
Short-term deposits	4,288,671	-	-
Bank overdraft	(22,418,182)	(38,157,229)	(124,723,793)
	(13,775,056)	(36,224,431)	(124,144,282)
Current assets	8,643,126	1,932,798	579,511
Current liabilities	(22,418,182)	(38,157,229)	(124,722,793)
	(13,775,056)	(36,224,431)	(124,143,282)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand 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.

Standard Chartered Bank Botswana Limited

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 P30,000,000 to be utilised for general working capital requirements; repayable on demand; carries an

Notes to the Financial Statements

For the year ended 31 March 2021

8. CASH AND CASH EQUIVALENTS (CONTINUED)

interest rate at the Bank's prime lending rate per annum. The balance was fully repaid during the 2021 financial year (2020: P15,397,123.)

The Botswana Agricultural Marketing Board earns interest of around 2% (2020: 2%) on call accounts and 5.85% (2020: 5.58%) on short term fixed deposits and these rates vary from time to time depending on the Bank of Botswana bank rate.

First National Bank of Botswana Limited

The Botswana Agricultural Marketing Board's overall banking facility with First National Bank Botswana Limited, consists of; Botswana Pula Overdraft facility of P10,000,000 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 at the financial reporting date was P7,465,927 (2020: P5 897 943.)

Bank Gaborone Limited

The Botswana Agricultural Marketing Board held a Botswana Pula general short term banking facility in the form of an overdraft of P20,000,000 which was utilised for general working capital requirements charged at an interest rate of the prevailing prime rate plus 1.5%. The balance outstanding at the financial reporting date was P14,952,255 (2020: P16,862,163).

9. GOVERNMENT EQUITY

Equity capital	27,455,061	27,455,061	27,455,061
Development fund	1,000,000	1,000,000	1,000,000
	28,455,061	28,455,061	28,455,061

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

The development fund represents the fund established by the 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.

10. REVALUATION RESERVE

The revaluation surplus represents the difference between carrying amounts and open market value of the properties, is credited directly to the revaluation reserve and amortised annually directly to retained earnings to the extent of the difference between depreciation based on the revalued amount and depreciation based on original costs of the revalued assets.

Figures in Pula

	2021	2020 Restated *	2019
Opening balance	71,134,419	73,287,275	71,158,003
Revaluation of property and motor vehicles	33,154,830	-	-
Depreciation transfer to retained earnings	(1,778,360)	(2,152,856)	(1,870,728)
Deferred capital gains tax	(1,811,992)	-	-
	100,698,897	71,134,419	73,287,275

Notes to the Financial Statements

For the year ended 31 March 2021

11. BANK LOAN

Bank loan - Bank Gaborone Limited	33,661,987	50,148,116	41,200,000
Split between non-current and current portions			
Non-current liabilities	15,851,022	33,661,988	-
Current liabilities	17,810,965	16,486,128	41,200,000
	33,661,987	50,148,116	41,200,000

The Botswana Agricultural Marketing Board has a three year tenor short loan facility with Bank Gaborone Limited to the value of P52,600,000 which was utilised for general working capital requirements and to repay the ABSA Botswana Limited Loan, African Banking Corporation Limited Limited overdraft facility and the Stanbic Bank Botswana Limited overdraft. Priced at an interest rate of prime plus 2%. The loan is to be repaid in thirty six monthly repayments of P1,654,439, the current outstanding is P33,661,987 (2020: P50,148,116.)

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.

12. LEASE LIABILITIES

Minimum lease payments due			
- within one year	412,952	1,817,317	-
- in second to fifth year inclusive	1,595,487	611,136	-
- later than five years	1,345,743	1,473,909	-
	3,354,182	3,902,362	-
less: future finance charges	(794,215)	(876,154)	-
Present value of minimum lease payments	2,559,967	3,026,208	-
Present value of minimum lease payments due			
- within one year	368,887	1,663,635	-
- in second to fifth year inclusive	229,479	214,860	-
- later than five years	1,961,601	1,147,713	-
	2,559,967	3,026,208	-
Non-current liabilities	2,191,080	1,362,573	-
Current liabilities	368,887	1,663,635	-
	2,559,967	3,026,208	-
Finance costs - leases	187,450	312,949	-
Principal lease payments	1,791,284	1,935,440	-
	1,978,734	2,248,389	-

The average lease term was 1 to 3 years for motor vehicles and 17 years for properties and the average effective borrowing rate was 6.5% (2020: 6.5%).

Notes to the Financial Statements

For the year ended 31 March 2021

13. DEFERRED TAX

Deferred taxation analysis

Property, plant and equipment	(796,990)	(4,127,533)	-
Self assessed tax losses	40,818,610	30,618,155	-
Leases	665,766	627,137	-
Right of use of assets	(524,786)	(665,766)	-
Provision for expected credit losses	28,929,477	24,277,675	-
Revaluation of property, plant and equipment	(1,811,992)	-	-
Deferred income	1,576,234	1,576,234	-
Unrecognised deferred tax asset	(70,668,311)	(52,305,902)	-
Total deferred tax liability	(1,811,992)	-	-

A deferred tax asset of P47,050,635 has not been recognised in these financial statement due to uncertainty over the availability of future taxable income to utilise against these tax losses.. Refer to note 24 for the ageing profile of tax losses carried forward.

Reconciliation of deferred tax

Deferred capital gains tax charge on revaluation reserve	1,811,992)	-	-
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14. TRADE AND OTHER PAYABLES

Financial instruments:

Trade payables	281,800,598	169,186,814	38,743,863
Provision for audit fees	414,669	414,669	345,000
Operating lease accrual	-	-	223,589
Non-financial instruments:			
Other payroll accruals	6,662	377,638	67,231
Staff leave provision	2,656,469	3,248,765	2,819,027
VAT payable	432,181	798,014	-
Gratuities	4,979,895	3,848,991	754,921
	290,290,474	177,874,891	42,953,631

Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	282,215,267	169,601,483	39,706,924
Non-financial instruments	8,075,207	8,273,408	3,641,179
	290,290,474	177,874,891	43,348,103

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.

15. DEFERRED INCOME

Deferred income mainly relates to unexpended balance of grants received from the Government of Botswana. The grant was not utilised in 2021 and 2020.

Unutilised grant income	7,164,700	7,164,700	7,164,700
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Notes to the Financial Statements

For the year ended 31 March 2021

16. PROVISIONS

Reconciliation of provisions - 2021

	Opening balance	Utilised during the year	Closing balance
Provision for labour court settlements	8,563,247	(8,563,247)	-

Reconciliation of provisions - 2020

		Utilised during the year	Closing balance
Provision for labour court settlements		8,563,247	8,563,247
	Opening balance	ADDITIONS	Closing balance
Provision for labour court settlements	1,063,247	7,500,000	8,563,247

The provision in the prior year relates to probable losses from current legal proceedings in which the Board was currently a party to. These are claims against Botswana Agricultural Marketing Board by former employees and the matter was settled during the current year.

17. DIVIDEND 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 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. Consequently no dividend will be paid under the presidential directive. The last time a dividend was declared was in 2016 amounting P6,122,906.

18. REVENUE

Revenue from contracts with customers		
Sale of goods - performance obligation satisfied at a specific point in time	490,596,438	402,828,698
Strategic Grain Reserves management fees - performance obligation satisfied over time	28,143,932	18,324,973
	518,740,370	421,153,671

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.

19. COST OF SALES

Cost of sales	419,949,005	333,906,915
Discount received	-	(18,370)
Inventories losses and allowances	8,522,161	11,071,156
Transport subsidy received from Ministry of Agriculture	(4,500,000)	(4,500,000)
Distribution costs	28,251,596	19,127,091
	452,222,762	359,586,792

Notes to the Financial Statements

For the year ended 31 March 2021

20. OTHER INCOME

Commission and storage	3,314,319	2,566,816
Rent received	497,124	2,106,910
Investment property revaluation	300,000	100,000
Sundry income	227,634	9,213,405
Profit on disposal of property, plant and equipment	311,346	-
	4,650,423	13,987,131

21. OPERATING LOSS

Operating (loss) profit for the year is stated after accounting for the following: Board members' sitting fees and expenses

Repairs and maintenance

Depreciation of property, plant and equipment

Employee costs (excluding pension contributions disclosed below)

Pension contributions

Movement in credit loss allowances

Auditor's remuneration

Loss/(profit) on foreign exchange

Loss on revaluation of motor vehicles

Profit on disposal of property, plant and equipment

Revaluation of investment property

356,250	291,987
1,472,984	1,744,533
11,528,055	8,791,675
58,927,267	56,798,568
3,094,494	3,483,497
21,144,551	40,998,254
439,234	606,356
6,792,172	(4,756,764)
1,504,909	-
(311,346)	-
(300,000)	(100,000)

22. FINANCE INCOME

Bank

Interest charged on trade and other receivables

Total interest income

168,857	72,154
-	16,784
168,857	88,938

23. FINANCE COSTS

Bank loans

Lease liabilities

Bank overdraft

3,411,927	5,118,817
187,450	312,949
2,149,330	4,656,111
5,748,707	10,087,877

24. TAXATION

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%.

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 and is ongoing.

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

Notes to the Financial Statements

For the year ended 31 March 2021

24. TAXATION (CONTINUED)

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.

Reconciliation between applicable tax rate and average effective tax rate. Reconciliation between accounting profit and tax expense is as follows:

Profit before tax
Tax at the applicable statutory tax rate of 22% (2020: 22%)

Tax effect of adjustments on taxable income
Donations
Unrecognised tax losses

Ageing profile of unutilised tax losses is as follows:

Expiring March 2026 financial year
Expiring March 2025 financial year
Expiring March 2024 financial year
Expiring March 2023 financial year

Movement in deferred tax asset
Opening balance
Movement taxable temporary differences
Unrecognised deferred tax

25. TAX REFUNDED (PAID)

Balance at beginning of the year
Balance at end of the year

26. RELATED PARTIES

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

Related party balances
Related party balances included in trade and other payables balances:
Government of the Republic of Botswana - Strategic Grain Reserve

Related party balances included in trade and other receivables balances:
Department of Crop Production
Department of Local Government Finance and Procurement
Department of Veterinary Services
Government of Botswana - Strategic Grain Reserve
Botswana Housing Corporation Limited
Botswana Ash Proprietary Limited
Botswana Power Corporation Limited
Botswana University of Agriculture and Natural Resources

Government of the Republic of Botswana
Refer to information page

(70,501,989)	(72,000,203)
(15,510,438)	(15,840,045)
2,200	-
15,508,238	15,840,045
-	-
46,365,700	-
19,037,504	19,037,504
64,728,463	64,728,463
70,491,991	72,000,205
200,623,658	155,766,172
-	1,948,775
15,508,238	13,891,270
(15,508,238)	(15,840,045)
-	-
(2,060,472)	(2,099,219)
858,957	2,060,472
(1,201,515)	(38,747)

250,019,577	108,771,228
20,900,435	13,086,185
3,014,113	2,938,311
15,658,837	17,826,762
55,399,246	44,036,159
-	1,287,688
-	657,715
-	98,627
3,775	-
94,976,406	79,931,447

Notes to the Financial Statements

For the year ended 31 March 2021

26. RELATED PARTIES (CONTINUED)

Related party transactions

Purchases from related parties

Government of the Republic of Botswana - Strategic Grain Reserve

150,033,673

50,540,477

Board member fees and expenses

Sitting fees and expenses

216,249

263,624

Grants received from related parties

Strategic Grain Reserve management fees

10,667,711

18,324,973

Transport subsidy - Ministry of Agricultural Development and Food Security

4,500,000

4,500,000

15,167,711

22,824,973

Sales to related parties

Department of Crop Productions

30,274,269

18,474,928

Department of Local Government Finance and Procurement

18,723,900

24,280,749

Government of the Republic of Botswana

44,053,016

30,069,717

93,051,185

72,825,394

Compensation of key management personnel

Short term employee benefits

7,424,726

3,658,115

Gratuity and leave pay

1,034,094

2,329,382

8,458,820

5,987,497

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

Categories of financial assets

2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	7	61,227,169	61,227,169	61,227,169
Cash and cash equivalents	8	8,643,126	8,643,126	8,643,126
		69,870,295	69,870,295	69,870,295

2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	7	51,173,737	51,173,737	51,173,737
Cash and cash equivalents	8	1,932,798	1,932,798	1,932,798
		53,106,535	53,106,535	53,106,535

Categories of financial liabilities

2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	14	282,215,267	282,215,267	282,211,631
Bank loan	11	33,661,987	33,661,987	-
Leases	12	2,559,967	2,559,967	-
Dividend payable	17	7,155,180	7,155,180	7,155,180
Bank overdraft	8	22,418,182	22,418,182	22,418,182
		348,010,583	348,010,583	311,784,993

Notes to the Financial Statements

For the year ended 31 March 2021

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	14	169,601,483	169,601,483	169,601,483
Bank loan	11	50,148,116	50,148,116	-
Leases	12	3,026,208	3,026,208	-
Dividend payable	17	7,155,180	7,155,180	7,155,180
Bank overdraft	8	38,157,229	38,157,229	38,157,229
		268,088,216	268,088,216	214,913,892

Capital risk 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.

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

Bank loan	11	33,661,987	50,148,116	41,200,000
Lease liabilities	12	2,559,967	3,026,208	-
Trade and other payables	14	290,290,474	177,874,891	43,348,103
Total borrowings		326,512,428	231,049,215	84,548,103
Bank overdraft	8	13,775,056	36,224,431	123,843,103
Net borrowings		340,287,484	267,273,646	208,391,206
Equity		(71,423,867)	(32,264,716)	48,846,632
Gearing ratio		(476)%	(828)%	427 %

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.

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 2021, 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.

Notes to the Financial Statements

For the year ended 31 March 2021

Credit risk (continued)

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 maximum exposure to credit risk is presented in the table below:

		Gross carrying amount	Credit loss allowance	2021 Amortised cost / fair value	2020 Gross carrying amount	Credit loss allowance	2020 Amortised cost / fair value
Trade and other receivables	7	215,244,132	(154,016,963)	61,227,169	184,046,149	(132,872,412)	51,173,737
Cash and cash equivalents	8	8,643,126	-	8,643,126	1,932,798	-	1,932,798
		223,887,258	(154,016,963)	69,870,295	185,978,947	(132,872,412)	53,106,535

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.

2021			Less than 1 year	2 to 5 years inclusive	Over 5 years	Total	Carrying amount
Non-current liabilities							
Bank loan	11		-	16,382,306	-	16,382,306	15,851,022
Lease liabilities	12		-	1,595,487	1,345,743	2,941,230	2,191,080
Current liabilities							
Trade and other payables	14		282,211,631	-	-	282,211,631	282,215,267
Bank loan	11		19,667,339	-	-	19,667,339	17,810,965
Lease liabilities	12		412,952	-	-	412,952	368,887
Dividend payable	17		7,155,180	-	-	7,155,180	7,155,180
Bank overdraft	8		22,418,182	-	-	22,418,182	22,418,182
			331,865,284	17,977,793	1,345,743	351,188,820	348,010,583

Notes to the Financial Statements

For the year ended 31 March 2021

Liquidity risk (continued)

2020		Less than 1 year	2 to 5 years inclusive	Over 5 years	Total	Carrying amount
Non-current liabilities						
Bank loan	11	-	36,180,824	-	36,180,824	33,661,988
Lease liabilities	12	-	611,136	1,473,909	2,085,045	1,362,573
Current liabilities						
Trade and other payables	14	169,601,483	-	-	169,601,483	169,601,483
Bank loan	11	19,729,231	-	-	19,729,231	16,486,128
Lease liabilities	12	1,817,317	-	-	1,817,317	1,663,635
Dividend payable	17	7,155,180	-	-	7,155,180	7,155,180
Bank overdraft	8	38,157,229	-	-	38,157,229	38,157,229
		236,460,440	36,791,960	1,473,909	274,726,309	268,088,216

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.

Foreign currency risk

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

Exposure in Pula

The net carrying amounts, in Pula, of the various exposures, are denominated in the following currencies. The amounts have been presented in Pula by converting the foreign currency amounts at the closing rate at the reporting date:

Current assets:

Trade and other receivables - in BWP	7	2,054,906	3,927
The net carrying amounts, in foreign currency of the above exposure was as follows:			
Current assets:			
Trade and other receivables - in ZAR	7	2,796,019	5,916
Exchange rate			
Botswana Pula to South African Rand		1.361	1.506

Sensitivity analysis

At 31 March 2021, if the Rand strengthened against the Pula by 5% (2020: 5%) at the financial reporting date with all other variables held constant, the loss for the year would have decreased by P97 852 (2020: P187). The weakening of the Rand by 5% against the Pula would have an equal but opposite effect on the loss for the period.

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.

Notes to the Financial Statements

For the year ended 31 March 2021

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

Note Average effective interest rate

Carrying amount

		2021	2020	2020
Variable rate instruments:				
Assets				
Short term deposits	8	5.85 %	5.85 %	4,288,671
Call accounts		2.00 %	2.00 %	1,597,543
				5,886,214
Liabilities				
Bank loan	11	7.25 %	7.25 %	33,661,987
Bank overdraft - Standard Chartered Bank Botswana Limited	8	- %	- %	-
Bank overdraft - First National Bank Botswana Limited		5.25 %	5.25 %	7,465,297
Bank overdraft - Bank Gaborone Limited		5.25 %	5.25 %	14,952,255
				56,079,539
Net variable rate financial instruments				61,965,753
Fixed rate instruments:				
Liabilities				
Lease liabilities	12	6.50 %	6.50 %	2,559,967
Variable rate financial assets as a percentage of total interest bearing financial assets				100.00 %
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities				95.63 %
Fixed rate financial liabilities as a percentage of total interest bearing financial liabilities				4.37 %

Interest rate sensitivity analysis

If the interest rate had been 1% per annum (2020: 1% per annum) higher during the period, with all other variables held constant, loss before tax for the year would have been P619,658 (2020: P900,045) lower. A decrease in the interest rate of 1% would have an equal but opposite effect on the loss before taxation.

28. FAIR VALUE INFORMATION FAIR VALUE HIERARCHY

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the board can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Notes to the Financial Statements

For the year ended 31 March 2021

28. FAIR VALUE INFORMATION FAIR VALUE HIERARCHY (CONTINUED)

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 3

Recurring fair value measurements

Assets	Note(s)		
Investment property			
Physical properties	5	23,200,000	22,900,000
Property, plant and equipment			
Land and buildings	3	96,359,167	72,029,159
Plant and machinery		7,922,465	5,903,586
Motor vehicles		15,886,001	6,355,712
Total property, plant and equipment		120,167,633	84,288,457
Total		143,367,633	107,188,457

29. GOING CONCERN

We draw attention to the fact that at 31 March 2021, the Board had accumulated losses of P200,577,825 and that the board's total liabilities exceed its assets by P71,423,867. On the basis of future cash flows and the continued support from the Government of the Republic of Botswana, and considering the Board's importance to the national food security, members of the Board are of the opinion that Botswana Agricultural Marketing Board will have sufficient financial resources to continue operating as a going concern. Consequently, these financial statements have been prepared on going concern basis.

30. EVENTS AFTER THE REPORTING PERIOD

The Members of the Board are not aware of any subsequent events which may require disclosure or adjustment to the financial statements.

31. COMMITMENTS

The Botswana Agricultural Marketing Board did not have committed capital expenditure as at year end.

32. CONTINGENCIES

The Botswana Agricultural Marketing Board has an uncommitted facility in place with its bankers, First National Bank of 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 (2020: P0).

The Botswana Agricultural Marketing Board has an uncommitted facility with its bankers, Standard Chartered Bank Botswana Limited to issue guarantees/letters of credit whenever is required in the normal course of its business. There were no guarantees outstanding as at the reporting date was (2020: P1,289,656).

Litigation on various labour claims of P1,936,040 against the Board were in process as at the financial reporting date. No provision for these claims have been recognised in these financial statements as management's consideration of these claims is as unlikely to be successful. (2020: A provision in respect of P8,563,247 was utilised through settlement of labour cases outstanding at 01 April 2020.)

33. PRIOR PERIOD ERRORS AND RECLASSIFICATIONS

The financial statements comparative amounts (2020 financial year) have been restated to correct the following prior period errors discovered subsequent to authorisation of the prior year financial statements:

- Certain inventory items were not subjected to an assessment of their cost to net realisable value. Based on information that existed in

Notes to the Financial Statements

For the year ended 31 March 2021

33. PRIOR PERIOD ERRORS AND RECLASSIFICATIONS (CONTINUED)

the prior year, it was ascertained that inventory items originally carried at a cost of P13.9million should have been written to their net realisable value of P5.2million. Consequently, an adjustment of P8.7million was processed to the prior year financial records to correct this error.

- Receivables in respect of the prior year long outstanding subsidy claims of P22.5million were not adequately assessed for expected credit losses in the prior year. Based on information available in the prior year end, the Board should have provided for the full amount as unlikely to be recoverable. Consequently, an adjustment of 22.5million was processed into the prior year financial records to provide for the reasonable estimated expected credit loss allowances..

Further, certain comparative amounts were reclassified for consistency with the current year presentation of financial statements. These reclassifications had no effect on the reported results of operations. Amounts previously reported in the statement of financial position as at 31 March 2020 and statement of cash flows for year 31 March 2020 have been restated for these reclassification. The material reclassification processed to these financial statements are as follows:

- P7,155,191 dividend payable balance reclassified from trade and other receivables to dividend payable.
- P798,013 VAT payable balance reclassified from current tax payable to trade and other payables.
- P40 989 VAT receivable balance reclassified from trade and other payables to trade and other receivables.
- P757 029 Supplier prepayments reclassified from trade and other payables to trade and other receivables.

Impact on the statement of financial position - 2020	Previously reported balance	Effect of prior period errors	Reclassified amounts	Restated balance
Trade and other receivables	73,693,078	(22,519,341)	7,114,191	58,287,928
Trade and other payables	(177,117,862)	-	(757,029)	(177,874,891)
Current tax payable	(2,858,485)	-	798,013	(2,060,472)
Inventory	100,282,571	(8,746,154)	-	91,536,417
Dividend payable	-	-	(7,155,180)	(7,155,180)
Bank and cash balances	1,932,788	-	10	1,932,798
Bank overdraft	38,157,225	-	(5)	38,157,220
	34,089,315	(31,265,495)	-	2,823,820
Impact on profit or loss before tax - 2020	Previously reported balance	Effect of prior period errors	Reclassified amounts	Restated balance
Cost of sales	350,840,638	8,746,154	-	359,586,792
Movement in expected credit loss allowance	18,478,913	22,519,341	-	40,998,254
	369,319,551	31,265,495	-	400,585,046

Strategic Grain Reserve Annual Financial Statements

for the year ended 31 March 2021

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Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

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	<p>- Dr Benjamin Ditsele (Acting Chief Executive Officer of the Managing Agent)</p> <p>- Ms Shirley Masunga (Acting Head of Finance of the Managing Agent)</p>
Board Secretary:	Mrs Onkemetse Thomas
Registered Office:	<p>Plot 130, Unit 3 & 4 Nkwe Square Gaborone International Finance Park Gaborone Botswana</p>
Postal address	<p>Private Bag 0053 Gaborone Botswana</p>
Auditor:	<p>Grant Thornton Acumen Park, Plot 50370 Fairgrounds Gaborone Botswana</p>
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 of Botswana 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 2021

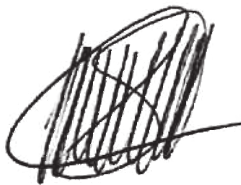
The Botswana Agricultural Marketing Board's Responsibility and Approval of the Annual Financial Statements

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 statements 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 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. The financial statements set out on pages 88 to 102 which are prepared on the going concern basis, were approved by the managing agent on 25 March 2022 and were signed on its behalf by:

**Mr. Lameck Nthekela**

(Acting Chief Executive Officer of the Managing Agent)

Date of Approval

25/03/2022

**Ms Segametsi Moemedi**

(Acting Head of Finance of the Managing Agent)

Date of Approval

25/03/2022



Independent Auditor's Report

CHARTERED ACCOUNTANTS GRANT THORNTON

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OPINION

We have audited the annual financial statements of the Strategic Grain Reserve set out on pages 88 to 102, which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other 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 annual financial Statements give a true and fair view of, the financial position of the Strategic Grain Reserve as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Agency Agreement dated 13 October 2009.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing. 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 Authority in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1 and 3) (IESBA Code) and other independence requirements applicable to performing audits of Annual Financial Statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The annual financial statements of the Strategic Grain Reserve for the year ended 31 March 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 08 July 2021.

OTHER INFORMATION

The Members of the Board are responsible for the other information. The other information comprises the information included in the document titled "Strategic Grain Reserve Annual Financial Statements for the year ended 31 March 2021", which includes the 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 other information does not include the financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 ANNUAL FINANCIAL STATEMENTS

The Members of the Board are responsible for the preparation and fair presentation of the annual financial statements in accordance with the 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 annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual 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.

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



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the annual 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 International Standards on Auditing 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 annual financial statements.

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

- Identify and assess the risks of material misstatement of the annual 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 company'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 Boards' 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 annual 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 annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Grant Thornton/

25 March 2022

Chartered Accountants
Certified Auditor: Madhavan Venkatachary (Memb No:20030049)
Certified Auditor of Public Interest Entity
Certificate Number: CAP 0017 2022

Gaborone

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Statement of Financial Position

As at 31 March 2021

Figures in Pula	Note(s)	2021	2020
Current Assets			
Inventory	3	127,048,113	64,394,344
Trade and other receivables	4	200,574,150	50,540,477
Intercompany loan	4	49,445,427	58,230,750
Cash and cash equivalents	5	30,245,405	2,200,264
Total Assets		407,313,095	175,365,835
Equity and Liabilities			
Equity			
Strategic Grain Reserves"		589,102,084	347,521,513
Accumulated loss		(237,188,735)	(216,191,837)
		351,913,349	131,329,676
Liabilities			
Current Liabilities			
Trade and other payables	6	55,399,746	44,036,159
Total Equity and Liabilities		407,313,095	175,365,835

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Statement of Profit or Loss and Other Comprehensive Income

Figures in Pula	Note(s)	2021	2020
Revenue	8	150,033,673	50,540,477
Cost of sales	9	(142,887,939)	(48,032,211)
Gross profit		7,145,734	2,508,266
Operating expenses	12	(972)	(219,646)
Administration expenses	11	(28,147,291)	(18,329,357)
Operating loss		(21,002,529)	(16,040,737)
Finance income		5,631	31,749
Total comprehensive loss for the year		(20,996,898)	(16,008,988)

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Statement of Changes in Equity

Figures in Pula

	Reserves	Accumulated loss	Total equity
Balance at 01 April 2019	205,389,405	(200,182,849)	5,206,556
Total comprehensive loss	-	(16,008,988)	(16,008,988)
Funds received from the Government of Botswana	142,132,108	-	142,132,108
Balance at 31 March 2020	347,521,513	(216,191,837)	131,329,676
Total comprehensive loss	-	(20,996,898)	(20,996,898)
Funds received from the Government of Botswana	241,580,571	-	241,580,571
Balance at 31 March 2021	589,102,084	(237,188,735)	351,913,349
Note(s)	7		

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Statement of Cash Flows

Figures in Pula

Note(s)

Cash flows from operating activities

Loss before taxation

(20,996,898) (16,008,988)

Adjustments for:

Losses on foreign exchange

972 219,646

Finance income

(5,631) (31,749)

Changes in working capital:

Inventory

(62,653,769) 38,601,896

Trade and other receivables

(141,248,350) (108,771,224)

Trade and other payables

11,363,587 (55,250,235)

Cash used in operations

(213,540,089) (141,240,654)

Finance income

5,631 31,749

Net cash from operating activities

(213,534,458) (141,208,905)

Cash flows from financing activities

Funds from the Government of Botswana

241,580,571 142,132,108

Net cash from financing activities

241,580,571 142,132,108

Total cash movement for the year

28,046,113 923,203

Cash at the beginning of the year

2,200,264 1,496,707

Effect of exchange rate movement on cash balances

(972) (219,646)

Total cash at end of the year

30,245,405 2,200,264

5

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Significant Accounting Policies

For the year ended 31 March 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are presented in and are rounded to the nearest Botswana Pula, the Reserve's functional currency, and are prepared on the historical cost basis, except where described otherwise.

The financial statements incorporate the significant accounting policies set out below, which are consistent with those adopted in the previous financial year, except for the adoption of the revised standards and new interpretations.

The financial statements of the Strategic Grain Reserve are disclosed separately and not consolidated into the Botswana Agricultural Marketing Board 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. 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 receive 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 these financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. The Strategic Grain Reserve made no significant estimates and judgements for the year ended 31 March 2021 (2020 no significant estimates and judgements).

1.3 FINANCIAL INSTRUMENTS MEASUREMENT AND CLASSIFICATION

The Strategic Grain Reserve classifies its assets or liabilities as financial instruments at amortised cost

1.3.1 AMORTISED COST

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

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

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Significant Accounting Policies

For the year ended 31 March 2021

1.3 FINANCIAL INSTRUMENTS (CONTINUED)

premiums or discounts and fees and points 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 estimate discounted using the original effective interest rate. Any changes are recognised in the profit or loss.

1.3.2 INCOME

Finance 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 and 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.

(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 ASSET 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 and other receivables.

Classification and subsequent measurement of debt instrument depend on:

- (a) the Strategic Grain Reserve's business model for managing the asset; and
- (b) the cash flow characteristics of the asset.

Based on these factors, the Strategic Grain Reserve 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 cashflows 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

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Significant Accounting Policies

For the year ended 31 March 2021

1.3 FINANCIAL INSTRUMENTS (CONTINUED)

Reserve in determining the business model for a group of assets include past experience on how the cash flows for those 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 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-making. 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 equivalents 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 debt instruments that are measured at amortised cost which include trade and other receivables. 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 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 and other 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 Reserves's historical credit loss experience, adjust 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 DERECOGNITION OF FINANCIAL ASSETS

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.

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.

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Significant Accounting Policies

For the year ended 31 March 2021

1.3 FINANCIAL INSTRUMENTS (CONTINUED)

1.3.10 DERECOGNITION 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 TAXATION

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

1.5 INVENTORY

Inventory is 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 inventory mainly comprise of maize, sorghum and sunflower.

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

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

1.8 TRANSLATION OF FOREIGN CURRENCIES

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

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Significant Accounting Policies

For the year ended 31 March 2021

1.8 TRANSLATION OF FOREIGN CURRENCIES (CONTINUED)

- 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 financial statements are recognised in 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.

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Notes to the Financial Statements

For the year ended 31 March 2021

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED) DEFINITION OF ACCOUNTING ESTIMATES: AMENDMENTS TO IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as “monetary amounts in financial statements that are subject to measurement uncertainty.”

The amendment is effective for financial years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the company's financial statements.

3. INVENTORY

Sorghum	51,758,395	43,385,957
Pulses	49,376,387	18,290,648
Maize	25,913,331	2,717,739
	127,048,113	64,394,344

As per the agency agreement the minimum inventory levels for maize should be 5,000MT, however at year end the level was 11,533MT. The current inventory level of sorghum in the Reserve is 19,080MT (minimum required capacity is 10, 000MT) and 5,640MT of pulses (above the minimum required capacity of 5,000MT).

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 any given time. The Botswana Agricultural Marketing Board manages its inventory through the FIFO (First In First Out) inventory management method during inventory rotation.

4. TRADE AND OTHER RECEIVABLES FINANCIAL INSTRUMENTS:

Trade receivables	200,574,150	50,540,477
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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.

Intercompany loan

Botswana Agricultural Marketing Board	49,445,427	58,230,750
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In 2020 the Ministry of Agricultural Development and Food Security disbursed an amount of P77 million towards replenishment of maize and pulses by year end only P29,554,573 was utilised by BAMB for the purchase of maize and pulses in 2020 and 2021. As at March 2021, an amount of P49,445,427 is still to be used by the managing agent to replenish the reserve.

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Notes to the Financial Statements

For the year ended 31 March 2021

4. TRADE AND OTHER RECEIVABLES (CONTINUED)

In June 2020 the Ministry of Agricultural Development and Food Security further disbursed another P30,000,000 towards purchases of Grain. By March 2021 year end this P30,000,000 had not been utilized for the Grain purchases with P28,000,000 forming a part of Bank balances at year end and P2,000,000 recorded as an intercompany loan owed to SGR by BAMB.

5. CASH AND CASH EQUIVALENTS

Bank balances	30,245,405	2,200,264
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Credit quality of cash at bank

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

6. TRADE AND OTHER PAYABLES

Administration fees	55,399,746	44,036,159
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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 have no fixed repayment terms and do not attract any interest.

7. RESERVES

Opening balance	347,521,513	205,389,405
Funds received from Government of Botswana	241,580,571	142,132,108
	589,102,084	347,521,513

The Strategic Grain Reserve of Botswana was established, through a presidential directive, to store and supplement the grain reserves of the country. The Strategic Grain Reserve financial activities, including but not limited to procurement of inventories, settlement of management fee and working capital expenditure, are funded by the Government of Botswana through injection of capital as and when required. The Strategic Grain Reserve going concern is therefore dependent on the financial support from the Government of Botswana through the Ministry of Agricultural Development and Food Security.

New funds received are accounted for as the equity injection into the Strategic Grain Reserve.

8. REVENUE

Sale of goods - performance obligation satisfied at a specific point in time	150,033,673	50,540,477
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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. Refer to related party transaction, note 13, for detail of sales to Botswana Agricultural Marketing Board.

9. COST OF SALES

Cost of sales	142,887,939	48,032,211
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10. FINANCE INCOME

Finance income	5,631	31,749
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Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Notes to the Financial Statements

For the year ended 31 March 2021

11. ADMINISTRATION EXPENSES

Strategic Grain Reserve Administration charges	28,143,932	18,324,973
Bank charges	3,359	4,384
	28,147,291	18,329,357

12. OPERATING EXPENSES

Unrealised foreign exchange losses	(972)	(219,646)
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13. RELATED PARTIES

Relationships	
Owner with significant influence	Government of Botswana Members of the Strategic Grain Reserve Refer to general information page
Members of key management	Dr Benjamin Ditsele (Chief Executive Officer of the management agent) Dinah Kesebonye (Head, Finance of the managing agent) Bashi Ratshosa (Head, Operations of the managing agent) Tumelo Keitumetse (Head, Internal Audit of the managing agent)

Related party balances

Amounts included in Trade receivable regarding related parties

Botswana Agricultural Marketing Board	200,574,150	50,540,477
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Amounts relating to intercompany loans

Botswana Agricultural Marketing Board	49,445,427	58,230,750
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Amounts included in trade payables regarding related parties

Botswana Agricultural Marketing Board - Current	55,399,746	44,036,159
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Related party transactions

Sales to related parties

Botswana Agricultural Marketing Board	150,033,673	50,540,477
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Administration fees paid to related parties

Botswana Agricultural Marketing Board	10,667,711	18,324,973
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Security on related party balances due at year end.

All related party transactions take place at arm's length and are settled on the normal business repayment terms of 30 days. All related party balances due at year end are mainly to the Government of Botswana and they are not secured.

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 financial reporting date the Strategic Grain Reserve had P127,048,113 (2020: P64,394,344) inventory to be sold to the Botswana Agricultural Marketing Board next financial year.

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Notes to the Financial Statements

For the year ended 31 March 2021

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

Categories of financial assets

2021 - In Pula	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	4	200,574,150	200,574,150	200,574,150
Intercompany loan (Botswana Agricultural Marketing Board)	4	49,445,427	49,445,427	49,445,427
Cash and cash equivalents	5	30,245,405	30,245,405	30,245,405
		280,264,982	280,264,982	280,264,982

2020 - In Pula	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	4	50,540,477	50,540,477	50,540,477
Intercompany loan (Botswana Agricultural Marketing Board)	4	58,230,750	58,230,750	58,230,750
Cash and cash equivalents	5	2,200,264	2,200,264	2,200,264
		110,971,491	110,971,491	110,971,491

Categories of financial liabilities

2021 - In Pula	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	6	55,399,746	55,399,746	55,399,746

2020 - In Pula	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	6	44,036,159	44,036,159	44,036,159

Capital risk management

The Strategic Grains 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. Furthermore the Strategic Grain Reserve may approach the Government of Botswana for additional capital in the form of capital grants, subventions or deferred income. The Strategic Grain Reserve monitors its capital structure through the use of gearing ratios, cost of capital calculations, and debt/equity ratios. As such there have been no changes to the strategy for capital maintenance from the previous year. The capital structure and gearing ratio of the company at the reporting date was as follows:

Trade and other payables	6	55,399,746	44,036,159
Cash and cash equivalents	5	(30,245,405)	(2,200,264)
Net borrowings		25,154,341	41,835,895
Equity		351,913,349	131,329,676
Gearing ratio		7 %	32 %

Financial risk management

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

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Notes to the Financial Statements

For the year ended 31 March 2021

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk

The main customer for the Strategic Grain Reserve is the Botswana Agricultural Marketing Board. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Reserve. 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 2021, the amount outstanding from the Strategic Grain Reserve's sole customer was P250,019,577. 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, consists mainly of trade and other receivables 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 2021.

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.

2021 - In Pula

		Less than 1 year	Total	Carrying amount
Current liabilities				
Other payables and accrued expenses	6	55,399,746	55,399,746	55,399,746

2020 - In Pula

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	6	44,036,159	44,036,159	44,036,159

Market risk

The Strategic Grain Reserve is exposed to market risk, which only consists of changes in foreign currency exchange rates. The Strategic Grain Reserve does not have any financial instrument variables exposed to interest rate risk.

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 denominations and there is exposure to the risk of changes in foreign exchange rates primarily to the Reserve's operating activities (when foreign currency bank balances are revalued).

Strategic Grain Reserve Financial Statements For The Year Ended 31 March 2021

Notes to the Financial Statements

For the year ended 31 March 2021

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Exposure in Pula

The net carrying amounts, in Pula, of the various exposures, are denominated in the following currencies. The amounts have been presented in Pula by converting the foreign currency amounts at the closing rate at the reporting date:

Current assets:

Cash and cash equivalents - in BWP	5	-	1,215,195
The net carrying amounts, in foreign currency of the above exposure was as follows:			
Cash and cash equivalents - in ZAR	5	-	1,830,084
Exchange rate			
Botswana Pula to South African Rand		1.361	1.506

Sensitivity analysis

The Strategic Grain Reserve is not exposed to foreign exchange rate risk at the current financial reporting date. At 31 March 2020, if the Rand strengthened against the Pula by 5% at the financial reporting date with all other variables held constant, the loss for the year would have decreased by P91,504. The weakening of the Rand by 5% against the Pula would have an equal but opposite effect on the loss for the period.

15. EVENTS AFTER THE REPORTING PERIOD

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

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