

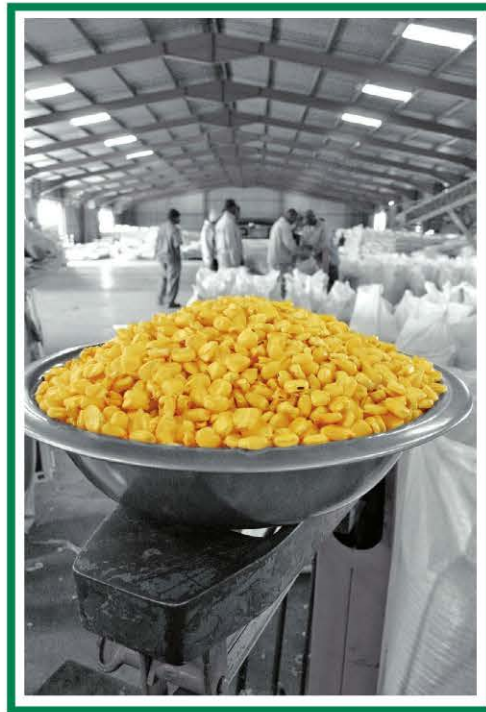


# BAMB

BOTSWANA AGRICULTURAL MARKETING BOARD



2006 ANNUAL REPORT



“

The Board of directors continuously examines the role of BAMB to ensure that it stays relevant to the overall development of the agricultural sector and policy on food security

”





1



2



3



4



5



6



7

## BAMB BOARD OF DIRECTORS

**E M Maphanyane** Chairperson

**T Mabutho** Deputy Chairperson

1. **L R Manthe** Board Member

2. **E L Molema** Board Member

3. **B A Mpete** Board Member

4. **A B Tafa** Board Member

5. **M C Kruger** Board Member

6. **K Selotlegeng** Board Member

7. **Dr M C Chimbombi** Board Member



1



2



3



4

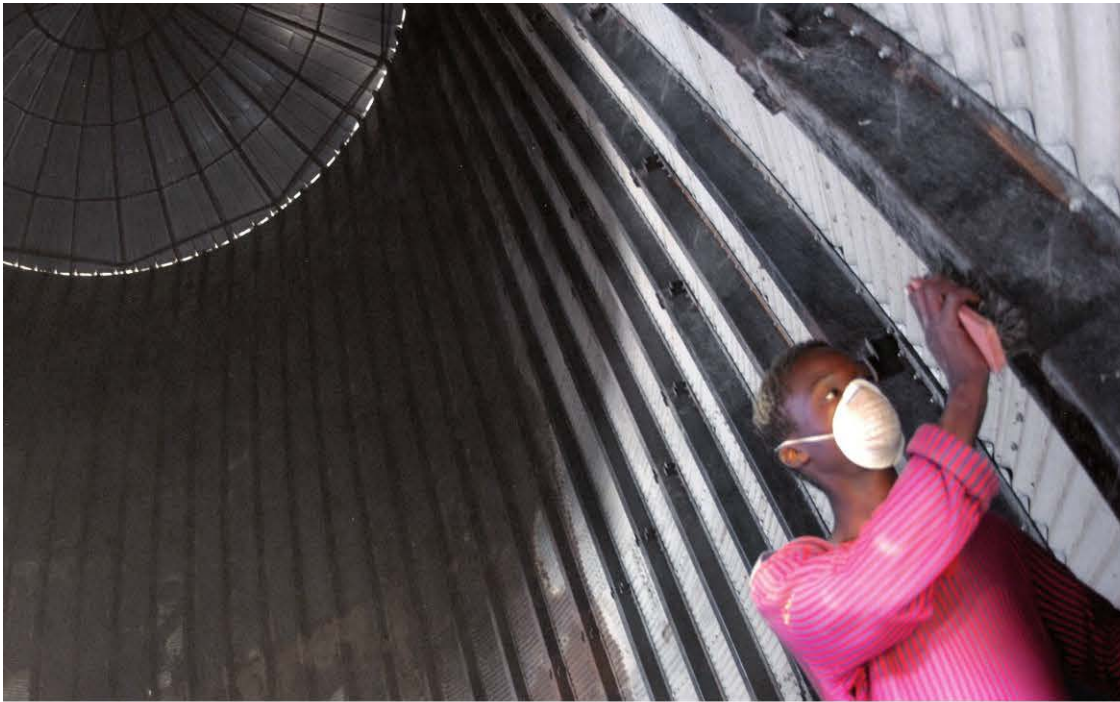


5

## B A M B M A N A G E M E N T

**M Mphathi**  
Chief Executive Officer

1. **E Ncaagae**  
Finance Manager
2. **B Tihalerwa**  
Marketing Manager
3. **S Chikunyana**  
Acting Internal Auditor
4. **B Maifala**  
Human Resource and Administration Manager
5. **L Makubate**  
Operations Manager



BAMB worker  
cleaning an empty  
silo

The Honourable Johnie K Swartz M.P  
Ministry of Agriculture  
Private Bag 003  
Gaborone

Honourable Minister

In accordance with Section 16 (3) of the Botswana Agricultural Marketing Board Act, Cap 74:02, I have the honour to submit the thirty first Annual Report and Accounts for the year ended 31 March 2006.

The accounts were approved by the Board of Directors at its meeting held on the 22 June 2006.

Mr E M Maphanyane  
**CHAIRPERSON**



BAMB worker busy loading produce into trucks for further processing by millers



# Chairperson's Report



**E M Maphanyane**  
Chairperson

Financial results show a net profit of P 1,020,986 as compared to a loss of P443 051 in the previous year. These results show a marginal improvement in the bottom line in an otherwise difficult trading year. For a better part of the year the Botswana Agricultural Marketing Board (BAMB) faced stiff competition, mainly from cheaper imported grain and this has had a negative impact on the profit margins. I wish to point out that Board's prospects of improving gross profit margins are always slim, because trading in grains is typically a low margin business.

The Board is into the second year of a three year strategic plan. The main objectives of the plan are to diversify its products and services, pursue aggressive marketing strategies and improve cost control as well as to further tighten internal controls. The implementation of the objectives set out in the plan is beginning to bear some fruit as indicated by a modest growth in the business of BAMB over the past two years.

The Board of Directors continuously examines the role of BAMB to ensure that it stays relevant to the overall

development of the agricultural sector and the policy on food security.

We believe that BAMB is still on course in as far as its core duties as spelt out in the BAMB Act Cap 74:06. We however find that some of the key provisions of the Act which would help BAMB to successfully execute its mandate have yet to be implemented by Government. In this regard attention is drawn to the Auditors reasons for the release of qualified accounts which cite lack of compliance with some provisions of the Act. The Board is in consultation with Government to work out a strategy to comply with the said provisions in order to remove the qualifications.

In addition our view is that as the business environment changes BAMB should accordingly adjust its role to maintain its relevance. For example in the past BAMB was by and large a passive recipient of agricultural produce, but present conditions require the Board to be proactively involved in the management of the supply chain in order to play a meaningful role in

the market. Furthermore as part of the implementation of its strategic plan, the Board has to identify service gaps and in the medium to the longer term should embark on a programme of value adding to some of the products it carries possibly through alliances with willing partners. In doing so, the Board will further improve the supply chain, thus facilitate the development of the emerging commercial arable agriculture sector envisaged under NAMPAADD.

In conclusion, the Board of Directors for whose support I am deeply grateful, intends to deliver a viable BAMB to the privatization process in the future.

Mr E M Maphanyane  
**CHAIRPERSON**



High quality  
sorghum handled by  
BAMB



**M Mphathi**  
Chief Executive Officer

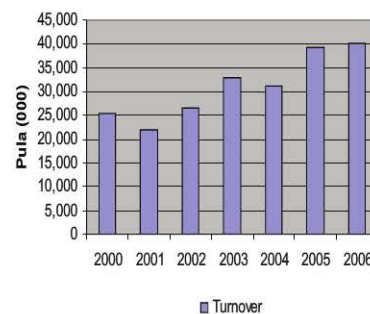
### Financial Review

The Botswana Agricultural Marketing Board (BAMB) has registered minimal growth in its business over the reporting period as compared to the previous year. Financial results for the year ended 31<sup>st</sup> March 2006 show a marginal increase of 2% in revenue, from P39,335,799 in 2005 to P40,098,565. The gross profit margin declined from 16.4% in 2005 to 11.7% in 2006, due to competition with imports and because producers chose to sell produce directly to millers. Despite this, BAMB recorded a net profit of P 1,020,986 compared with a loss of P443,051 in the preceding year. Steady progress is also being made to reduce the accumulated deficit.

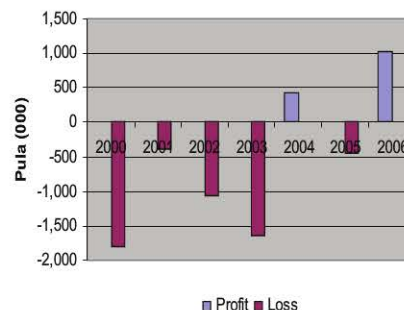
The ACCPAC Windows accounting system that was installed in 2004 is continuously being upgraded to automate most of the accounting procedures and to improve controls. A module that tracks and records stock movement was activated during the reporting period and it is expected to greatly improve financial records and the accuracy of cost of sales. These improvements are already proving their worth, by reducing audit time and improving timeliness in reporting.

## CEO'S Review

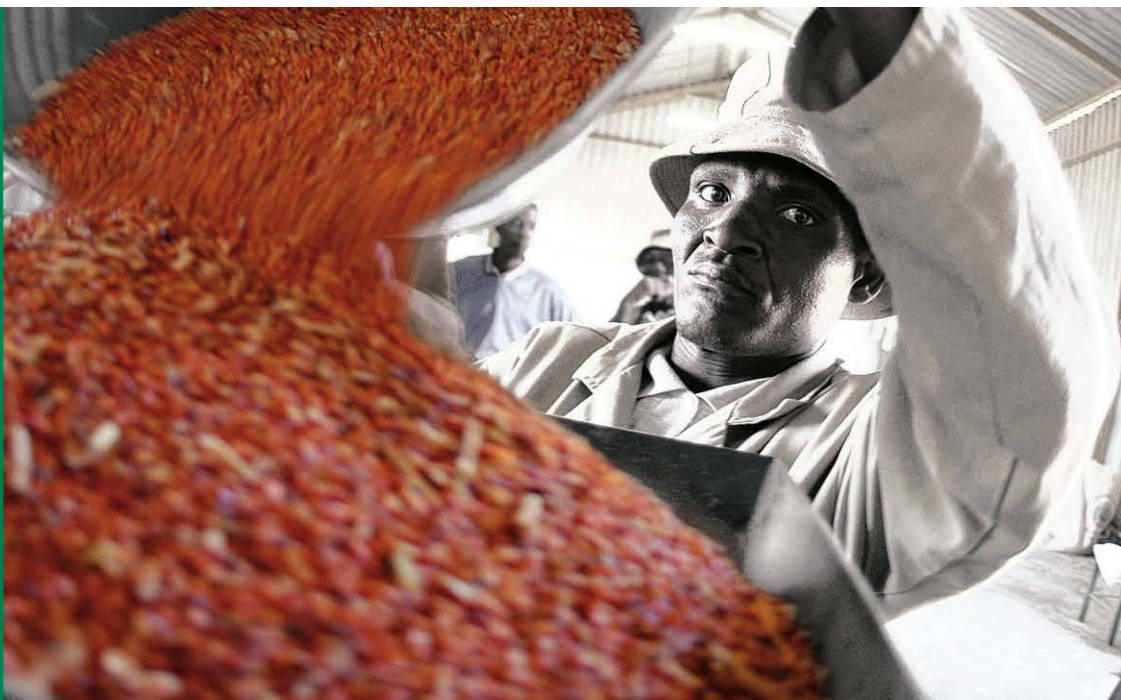
**BAMB Turnover(2000-2006)**



**BAMB Profit/Loss (2000-2006)**



Processing of sorghum  
grain into milled  
product



## CEO's Review

### Business Review

**Grain Purchases:** In 2005 the production of grains in South Africa exceeded demand. Large stocks of carry over grain from 2004 compounded the problem of excess grain and this caused market prices on which BAMB bases buying prices to crash. Sorghum prices dropped from an average of P966.00 per metric ton (mt) in 2004 to below P400.00 per mt. BAMB would usually have purchased most of the 20,000 metric tons (mt) of sorghum harvested in Pandamatenga during the 2005 harvest season, but producers decided to sell directly to millers with whom they were able to negotiate for better prices.

**Marketing:** The only stocks available for sale during the year were the carry over of 13,400 mt of commercial stocks comprising 11,000 mt of sorghum which was bought at an average of P966.00 per mt and 2,400 mt of sunflower bought at P1375.00 per mt in 2004. In addition BAMB had in its custody 10,000 mt of the sorghum Strategic Grain Reserve (SGR) that was purchased on behalf of Government at P1200.00 per mt in 2003.

The crash in market prices during the year under review meant that BAMB business faced very stiff competition with the new crop which farmers

were selling at between P750.00 per mt and P1000.00 per mt as well as cheaper imports. In order to move its stocks BAMB was forced to sell most of its sorghum stocks at a reduced margin over most of the reporting period.

Sales of sorghum only improved after Government imposed restrictions on imports. Sunflower which has a very limited market locally was exported at ruling market prices which were at that time below the cost price. These stocks had to be sold at a loss, to avoid excessive storage costs, a total loss due to damage by storage pests and obsolescence. This marketing scenario explains the decline in gross profit margin over the reporting period.

**Grain storage and management:** Since farmers marketed their grain from the farmgate, no new third party grain was received from them, hence very little income was derived from this activity.

BAMB continues to keep and manage the sorghum Strategic Grain Reserve (SGR) of 10,000 mt for Government. The SGR is not physically separated from commercial stocks and the combined stocks are kept in silos and moved on a first-in, first-out basis. Consequently the SGR is constantly moving along with commercial stocks but a balance equal to the

statutory limit of 10,000 mt is maintained as the SGR.

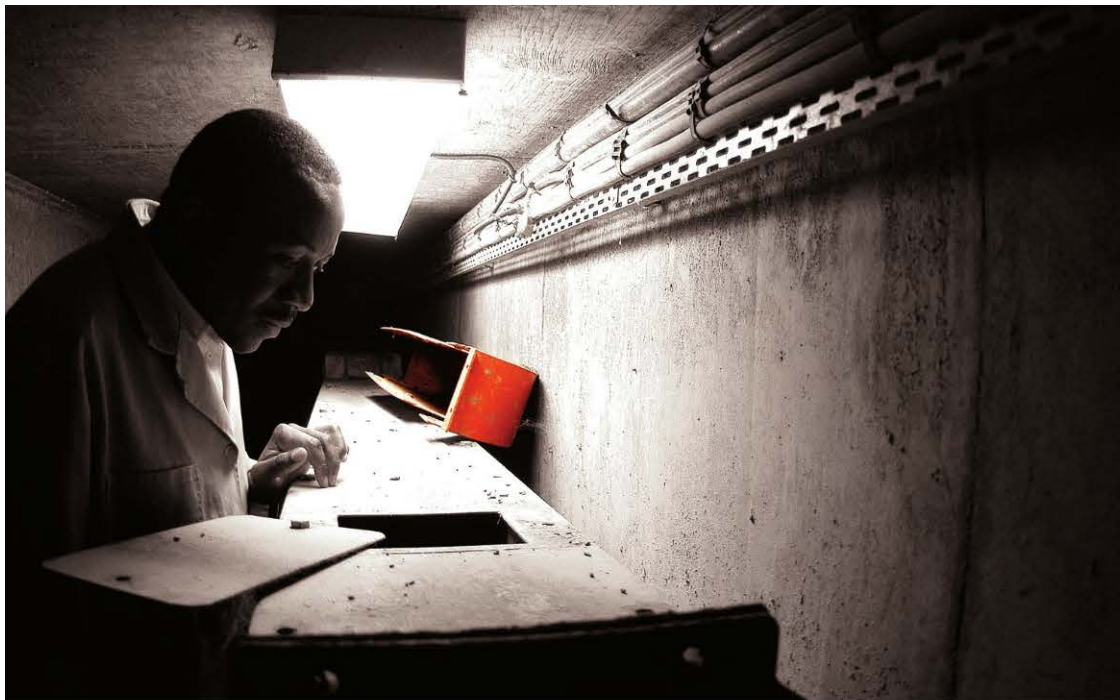
### Strategic Review

The Strategic Plan for 2004-2007 was developed at a time when BAMB was in a bad shape, since it was running an accumulated deficit and rapidly losing the confidence of customers, suppliers and the shareholder. The Board had to develop a strategy that would maintain a good balance of initiatives for quick recovery and goals for long term recovery.

The main objective of the Strategic Plan is to diversify products and services offered by BAMB, however trading in grains of various types remains the core business. Adverse movements in market prices of grain in 2005 caused a set back to BAMB with regards the achievement of targets for purchases and sales set out in the Strategic Plan. Trading in commodities without value adding is a low profit margin business, mainly because of global competition. The Board is engaged on a continuous process of strategy review and the development of its capacity to meet challenges as they emerge.

### Human Resources

As part of the implementation of the Strategic Plan, the Board continues



A worker inspecting a conveyor in a silo complex

## CEO's Review

to develop its staff and improve conditions of service. Following the alignment of staff salaries with the market with effect from April 2005, the Board managed to fill two senior management positions which were hitherto difficult to fill. Staff retention has also improved since no resignations have been recorded during the reporting period.

### Corporate Governance

The Board of Directors is responsible for the Board's performance and provides strategic leadership, guidance and supervision to management. Through its quarterly meetings it maintains full and effective control over the affairs of the Board. The Board of Directors regularly reports activities and results to Government. A notable achievement is that this year the Board is able to present its financial reports on time in compliance with Section 17 of the BAMB Act cap 74:06.

To further enhance its activities, the Board of Directors has set up subcommittees as follows:

### Finance and Audit Committee

Ensures management maintains adequate accounting records and effective internal control systems. The Internal Audit function which is responsible for monitoring the effectiveness and compliance to the system of Internal Control reports to the Finance and Audit Committee.

### Tender Committee

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

### Human Resources Committee

This Board committee oversees the recruitment and participates in the selection of senior management staff. It also sets performance targets and monitors the performance of the Chief Executive Officer.



The Board is engaged on a continuous process of strategy review and the development of its capacity to meet challenges as they emerge

BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006



**Country of  
incorporation  
and domicile**

Botswana

**Nature of business**

The Board is a parastatal organisation, established under the Act of Parliament CAP 74:02 of 1974, to market grain and agricultural inputs in Botswana

**Members of the Board**

Mr E M Maphanyane (Chairperson, appointed on 05.11.2005)  
Mrs M M Molomo (Chairperson, retired on 05.11.2005)  
Mrs T Mabutho (Deputy Chairperson, appointed on 05.01.2006)  
Mr K Selotlegeng (Deputy Permanent Secretary, Ministry of Local Government)  
Dr M C Chimbombi (Deputy Permanent Secretary, Ministry of Agriculture)  
Ms L R Manthe  
Mr M C Kruger  
Mr E L Molema  
Mr B A Mpete  
Mr A B Tafa

**Registered Office**

Plot No 1227  
Haile Sellasie Road  
Old Industrial Site  
Gaborone  
Botswana

**Postal address**

Private Bag 0053  
Gaborone  
Botswana

**Bankers**

Standard Chartered Bank Botswana Limited  
Barclays Bank of Botswana Limited

**Auditors**

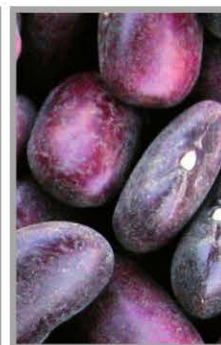
Grant Thornton Acumen  
Certified Public Accountants

**Secretary**

Mr Bennett Maifala



# Contents



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006



Report of the independent auditors	10
Balance sheet	11
Income statement	12
Statement of changes in funds	13
Cash flow statement	14
Notes to the financial statements	15 - 30

## STATEMENT OF RESPONSIBILITY

The members of the board are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related financial information included in this report. The independent auditors are responsible to give an independent opinion on the fairness of the annual financial statements based on their audit of the affairs of the Board.

The annual financial statements are prepared in accordance with International Financial Reporting Standards on a consistent and appropriate basis and incorporate full and responsible disclosure in line with the accounting policies of the Board which are supported by reasonable and prudent judgments and estimates.

The financial statements have been prepared on a going concern basis. The members of the board are confident that Government will not recall their equity contribution and the Board will generate adequate resources to continue in operation for the foreseeable future.

The annual financial statements set out on pages 5 - 24 were approved by the members of the board on 22 June 2006 and signed on their behalf by:

CHAIRPERSON

Place: Gaborone  
Date: 22 June 2006

MEMBER

Place: Gaborone  
Date: 22 June 2006

# REPORT OF THE INDEPENDENT AUDITORS

BOTSWANA AGRICULTURAL MARKETING BOARD  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

## TO THE MEMBERS OF THE BOARD OF BOTSWANA AGRICULTURAL MARKETING BOARD

We have audited the accompanying financial statements of the Botswana Agricultural Marketing Board set out on pages 8 - 33 for the year ended 31 March 2006. These financial statements are the responsibility of the members of the Board. Our responsibility is to report on these financial statements based on our audit.

We conducted our audit in accordance with the Botswana Agricultural Marketing Board Act 1974 (CAP: 74:06) and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating overall financial statement presentation. We have examined the books, accounts and vouchers of the Board to the extent we considered necessary and have obtained all the information and explanations which we required except for the matters specified in paragraphs below. We believe that our audit provides reasonable basis for our opinion.



The board is yet to implement appropriate procedures and controls for tracking and recording of movement of items of stocks including the third party stocks and the accounting impact of such movements in the financial records. In the absence of these procedures and controls we are unable to satisfy ourselves as to the completeness and accuracy of the cost of sales during the year. Further there were no appropriate alternative auditing procedures which we could adopt to satisfy with the cost of sales recorded in the books of account.

Except for the effects, if any, on the financial statements, of the matters referred to in the preceding paragraphs, in our opinion

the Board has kept proper books of account with which the financial statements are in agreement; and

the financial statements give a true and fair view of the state of the Board's affairs as of 31 March 2006 and of the results of its operations and its cash flows for the year then ended in accordance with Botswana Agricultural Marketing Board Act 1974 (CAP:74:06) and International Financial Reporting Standards.

Furthermore, as required by Section 16 (5) (c) of the Botswana Agricultural Board Act, 1974 (CAP: 74.06), in our opinion, the board has complied with the financial provisions of the

Botswana Agricultural Board Act, 1974 (CAP: 74.06) except for the matters given below:

Section 12 of the Botswana Agricultural Marketing Board Act, 1974 (CAP: 74:06) requires that Board shall establish a stabilisation fund and we notice that no such fund was established by the Board.

Section 13 of the Botswana Agricultural Marketing Board Act, 1974 (CAP: 74:06) requires that Board shall establish a development fund and we notice that no such fund was established by the Board.

Section 14 of the Botswana Agricultural Marketing Board Act, 1974 (CAP: 74.06) requires the Board to perform its function and conduct its activities so far as possible to ensure that taking one financial year with another, its revenues are sufficient to enable the Board to meet the expenditure of the Board properly chargeable to its revenue account. In view of the current year accumulated deficit of P 7 012 795 as at 31 March 2006, it is our opinion that the Board has not complied with the financial provision set out in this section of the Act.

*Gert Moshale Agy.*

**GABORONE**

**Date:** 22 June 2006

# BALANCE SHEET AS AT 31 MARCH 2006



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

	Note	2006 Pula	2005 Pula
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	26 135 744	28 810 622
<b>Current assets</b>		20 586 822	45 653 368
Inventories	3	3 136 849	25 722 347
Trade and other receivables	4	7 104 547	14 033 429
Cash and cash equivalents		10 345 426	5 897 592
<b>Total assets</b>		<b>46 722 566</b>	<b>74 463 990</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>		40 270 082	41 315 186
Government equity	5	26 455 061	26 455 061
Accumulated deficit		(7 012 795)	(9 041 408)
Revaluation reserve	6	19 827 816	22 901 533
Recallable capital	7	1 000 000	1 000 000
<b>Non-current liabilities</b>			
Long-term borrowings	8	744 788	1 125 838
<b>Current liabilities</b>		5 707 696	32 022 966
Trade and other payables	9	5 185 492	8 507 491
Short-term borrowings	10	-	23 143 140
Current portion of long-term borrowings		522 204	372 335
<b>Total equity and liabilities</b>		<b>46 722 566</b>	<b>74 463 990</b>

# INCOME STATEMENT As At 31 MARCH 2006



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

	Note	2006 Pula	2005 Pula
<b>Revenue</b>		<b>40 098 565</b>	<b>39 335 799</b>
Cost of sales		(35 393 643)	(32 875 202)
<b>Gross profit</b>		<b>4 704 922</b>	<b>6 460 597</b>
Other income	13	11 855 315	7 750 170
Administrative expenses	14	(14 924 524)	(12 669 373)
Finance income	15	694 037	581 905
Finance cost	16	(1 308 764)	(2 566 350)
<b>Net profit (loss) for the year</b>		<b>1 020 986</b>	<b>(443 051)</b>

“

The Board is continuously striving to  
achieving profitability

”



# STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 31 MARCH 2006



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

	Government Equity	Recallable Capital	Revaluation Reserve	Accumulated deficit	Total
	Pula	Pula	Pula	Pula	Pula
<b>Balance as at 1 April 2004</b>	26 455 061	1 000 000	-	(9 675 280)	17 779 781
<b>Surplus arising on revaluation of property</b>			23 978 456		23 978 456
<b>Amortisation of revaluation reserve</b>			(1 076 923)	1 076 923	
<b>Net loss for the year</b>	-	-	-	(443 051)	(443 051)
<b>Balance as at 1 April 2005</b>	26 455 061	1 000 000	22 901 533	(9 041 408)	41 315 186
Amortisation of revaluation reserve	-	-	(1 007 627)	1 007 627	-
<b>Net profit for the year</b>	-	-	-	1 020 986	1 020 986
<b>Balance at 31 March 2006</b>	<b>26 455 061</b>	<b>1 000 000</b>	<b>20 835 443</b>	<b>(7 012 795)</b>	<b>41 277 709</b>

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

	Note	2006 Pula	2005 Pula
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		27 533 937	(31 004 381)
Cash generated from (absorbed by) operations	21.2	16 293 349	(36 784 816)
Finance income		694 037	581 905
Interest paid		(1 308 764)	(2 551 640)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		438 087	(1 282 544)
Purchase of property, plant and equipment		(1 448 631)	(1 671 844)
Proceeds on disposal of property, plant and equipment		1 886 718	389 300
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from / (payment of) long term borrowings		(381 050)	1 125 838
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		27 590 974	(31 161 087)
Cash and cash equivalents at the beginning of the year	21.3	(17 245 548)	13 915 539
<b>Cash and cash equivalents at the end of the year</b>	<b>21.3</b>	<b>10 345 426</b>	<b>(17 245 548)</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

## 1. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis except for measurement of certain financial instruments at fair value, and incorporate the following principal accounting policies, set out below, which are consistent with those of the previous year in all material aspects and comply with International Financial Reporting Standards and the requirements of the Botswana Agricultural Marketing Board Act 1974 (CAP:74:06). The financial statements are prepared on a going concern basis.

### 1.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost except for land and building, less accumulated depreciation less impairment losses wherever applicable. Land and building are stated at valuation less accumulated depreciation less impairment losses. The cost of self-constructed assets include the cost of materials, direct labour and an appropriate proportion of overheads.

Capital work in progress represents amounts incurred on development and construction of assets, is classified under property, plant and equipment and stated at cost until construction or development is complete.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

The depreciation is provided on all property plant and equipment other than land and capital work in progress, to write down the cost less the residual value, by equal installments over their estimated useful lives as follows:

Buildings	20 years
Motor vehicles	3 years
Furniture and fittings	5 years
Equipment	3-5 years

Land and capital work in progress are not depreciated. Consumable items are written off in the year of purchase.

### 1.2 INVENTORY

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes transport and handling costs. Net realisable value is estimated as the selling price, in the ordinary course of business, less selling expenses.

### 1.3 CAPITALISED LEASED ASSETS

Where assets are held under finance lease that transfer substantially all the risks and rewards of ownership to the lessee, the cash cost of the assets is capitalised with the equivalent amount being shown as a liability to the lessor. Lease payments are allocated between reduction in the liability and interest is charged to income. Depreciation policy for leased assets are consistent with that of the depreciable assets that are owned.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



AGRICULTURAL MARKETING BOARD  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

## 1.4 FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated to Pula at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Pula at the rates of exchange ruling at that date. All exchange gains and losses arising on translation are dealt with in the income statement. Non monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction.

## 1.5 TAXATION

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

## 1.6 REVENUE

### Revenue

Revenue is recognised upon delivery of goods and customer acceptance and comprises sales of agricultural products less discount allowed and value added tax.

### Grants

Revenue grants are recognised in the income statement on receipt. Capital grants are recognised in equity. However, they are transferred to income statement to meet the related costs.

### Interest income

Interest income is recognised in the income statement using effective interest rate method.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

## 1.7 FINANCIAL INSTRUMENTS

### Initial recognition

The Board classifies financial instruments on initial recognition as financial assets or financial liabilities in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the Board becomes a party to the transaction. Financial assets and financial liabilities are initially recognised at fair value. In the case of a financial asset or liability not classified as fair value through profit and loss account, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

### Subsequent measurement

After initial recognition financial assets are measured as follows:

Loans and receivables and held-to-maturity instruments are measured at amortised cost using the effective interest method; Cash and cash equivalents are measured at fair value. Other financial assets, at fair values, without any deduction for transaction costs which may incur on sale or disposal.

After initial recognition financial liabilities are measured as follows:

Financial liabilities at fair value through profit or loss, are measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest method.

Equity instruments comprise Government equity and callable capital, which is recorded at proceeds received/converted

### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised, as follows:

A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss. A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

“

The Board is continuously improving  
its financial controls

”

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



AGRICULTURAL MARKETING BOARD  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

## 1.8 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, payable within 12 months after the service is rendered, 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 employee renders service that increases their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Gratuities are provided for certain employees as per the terms of their respective employment contracts.

The expected bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### Defined benefit plans

The Board operates a defined benefit pension scheme for its eligible employees which provides for pensions paid based on length of service and salary at retirement date. An actuarial valuation is done on a yearly basis on the potential pension fund liabilities, and the extra amount if any required are contributed by the Board.

## 1.9 TRADE AND OTHER RECEIVABLES

Trade and other receivables originated by the enterprise are classified as at fair value through profit and loss.

## 1.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks and other financial institutions.

## 1.11 LEASES

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

### Finance leases

The Board recognises finance lease receivables and payables on the balance sheet.

Finance income and expenses are recognised based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

## Operating leases

Operating lease income and expenses are recognised as income on a straight-line basis over the lease term.

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

Income and expenses for leases are disclosed under other income in the income statement

## 1.12 IMPAIRMENT OF ASSETS

The Board assesses at each balance sheet 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, recoverable amount is estimated for the individual asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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 profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill 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 other than goodwill 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 years.

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

## 1.13 PREVIOUS YEAR'S FIGURES

Figures for the previous year have been regrouped and restated where-ever necessary to conform with current years presentation.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



AGRICULTURAL MARKETING BOARD  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

## 2. PROPERTY, PLANT AND EQUIPMENT

### Cost or valuation

	2006 Pula	2005 Pula
Land and buildings	26 445 512	28 240 003
Equipment	2 962 281	2 609 906
Motor vehicles	2 187 155	1 940 455
Furniture and fittings	177 923	160 294
Capital work in progress	277 480	-
	<b>32 050 351</b>	<b>32 950 658</b>

### Accumulated depreciation

Land and buildings	2 420 456	1 290 000
Equipment	2 268 214	2 139 937
Motor vehicles	1 081 035	577 881
Furniture and fittings	144 902	132 218
	<b>5 914 607</b>	<b>4 140 036</b>

### Net carrying value

Land and buildings	24 025 056	26 950 003
Equipment	694 067	469 969
Motor vehicles	1 106 120	1 362 574
Furniture and fittings	33 021	28 076
Capital work in progress	277 480	-
	<b>26 135 744</b>	<b>28 810 622</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

	2006 Pula	2005 Pula
<b>2.1 Movement for the year</b>		
Carrying value at the beginning of the year	28 810 622	4 942 973
<b>Capital expenditure</b>	<b>1 448 631</b>	<b>1 671 844</b>
- Land and buildings	378 000	-
- Equipment	352 375	105 354
- Motor vehicles	423 147	1 566 490
- Furniture and fittings	17 629	-
- Capital work in progress	277 480	-
<b>Disposals/transfers</b>	<b>(2 348 921)</b>	<b>(663 281)</b>
- Land and buildings	(2 172 493)	-
- Motor vehicles	(176 428)	(663 281)
<b>Revaluations</b>		
- Land and buildings	-	23 978 456
Depreciation	(2 030 641)	(1 782 651)
On disposals	256 053	663 281
Carrying value at the end of the year	<b>26 135 744</b>	<b>28 810 622</b>
<b>2.2 The gross carrying value of property, plant and equipment comprises:</b>		
- At cost	5 604 839	4 710 658
- At valuation	26 445 512	28 240 000
	<b>32 050 351</b>	<b>32 950 658</b>
<b>2.3</b> The Board is in the process of obtaining legal title to buildings which are included above, which have been erected on tribal trust and state lands. The gross carrying value of such lands, at valuation is P 2 440 000		
<b>2.4</b> Net book value of assets held under finance lease P 895 731 (2005: P 1 293 832). These assets are held as security for the capitalised leases as given in note 8.		

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



AGRICULTURAL MARKETING BOARD  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

	2006 Pula	2005 Pula
<b>3. INVENTORIES</b>		
Goods for resale	<b>3 136 849</b>	<b>25 722 347</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	7 342 134	14 184 787
Other receivables	300 598	179 481
Less provision for doubtful debts	(538 185)	(330 839)
	<b>7 104 547</b>	<b>14 033 429</b>
<b>5. GOVERNMENT EQUITY</b>		
Balance as at 31 March	<b>26 455 061</b>	<b>26 455 061</b>
The Government equity represents the amount converted from the short term loan and long term loan in August 2000 as per the Presidential Directive CAB 30/2000 dated 14 September 2000.		
<b>6. REVALUATION RESERVE</b>		
Arising on revaluations	<b>19 827 816</b>	<b>22 901 533</b>
<b>6.1 Movement for the year</b>		
Arising on revaluation of property	22 901 533	23 978 456
Amortised and transferred to accumulated deficit	(1 007 627)	(1 076 923)
Transferred to income statement upon disposal	(2 066 090)	-
	<b>19 827 816</b>	<b>22 901 533</b>

The property held by Botswana Agricultural Marketing Board were revalued by C.B Richard Ellis, professional property valuers on 26 March 2004 at P 28 240 000 representing open market value.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

The difference between carrying value and the open market value has been credited to the revaluation reserve and amortised on a yearly basis directly to accumulated deficit to the extent of the difference between depreciation based on the revalued amount and depreciation based on the original cost.

## 7. RECALLABLE CAPITAL

Balance at 31 March

2006 Pula	2005 Pula
1 000 000	1 000 000

This comprises contributions by the Government of Botswana. There are no indications at present as to when these amounts may be recalled.

## 8. LONG-TERM BORROWINGS - Non-current

### Secured loans

Standard Chartered Bank Botswana Limited-  
Finance lease obligations

1 266 992	1 498 173
-----------	-----------

Leases are secured by respective leased assets and are repayable over 36 to 60 months in equated monthly instalments of P 52 323 (2005: P 46 056), inclusive of interest bearing an interest rate at prime minus 2.00% per annum, and are secured by for 20 % of the value of the respective assets.

Capital amounts payable within one year reflected  
under current liabilities

- Current portion of long term borrowings

(522 204)	(372 335)
-----------	-----------

<b>744 788</b>	<b>1 125 838</b>
----------------	------------------

## 9. TRADE AND OTHER PAYABLES

Trade Payables  
Short term employee benefits payable  
Other payables

2 667 390	5 847 056
1 701 682	1 416 112
816 420	1 244 323

<b>5 185 492</b>	<b>8 507 491</b>
------------------	------------------

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



AGRICULTURAL MARKETING BOARD  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

	2006 Pula	2005 Pula
<b>10. SHORT-TERM BORROWINGS</b>	-	23 143 140

Standard Chartered Bank Botswana Limited

The banking facilities from Standard Chartered Bank Botswana Limited consists of an overdraft facility limit of P 24 million, lease loan limit of P 1.8 million and bank guarantee and letter of credit outstanding of P 3.66 million. These facilities are granted as clean facilities, i.e. without any security, except for leased assets which are secured at 20% of the value of the vehicles.

The overdraft facility attracts interest at prime minus 2.65% per annum

“

The Board borrows money from local commercial banks to finance purchases of locally produced crops

”



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

		2006 Pula	2005 Pula
<b>11.</b>	<b>CONTINGENCIES</b>		
11.1	Bank guarantee by Standard Chartered Bank Botswana Limited in favour of customers	3 501 292	3 501 292
11.2	Letters of credit issued by Standard Chartered Bank Botswana Limited in favour of suppliers.	-	162 510
		<b>3 501 292</b>	<b>3 663 802</b>
<b>12.</b>	<b>COMMITMENTS</b>		
<b>12.1</b>	<b>Authorised capital expenditure</b>		
	- Already contracted for	<b>1 704 520</b>	<b>289 246</b>
<b>12.2</b>	<b>Operating leases as lessee</b>		
	Future leasing charges for premises		
	Payable within one year		
	- Premises	195 189	94 710
	Payable one to five years		
	- Premises	-	76 230
		<b>195 189</b>	<b>170 940</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



AGRICULTURAL MARKETING BOARD  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

	2006 Pula	2005 Pula
<b>13. OTHER INCOME</b>		
Profit on disposal of property, plant and equipment	-	389 300
Other income	1 248 414	27 681
Grant received	2 805 735	-
Grain reserve maintenance fee	3 877 754	5 023 576
Bad debts provision reversed	-	353 539
Rent received	1 857 322	1 956 073
Transfer of revaluation upon realisation	2 066 090	
	<b>11 855 315</b>	<b>7 750 169</b>
<b>14. ADMINISTRATIVE EXPENSES</b>		
Administrative expenses are inclusive of:		
Auditors' remuneration		
- For audit	40 000	-
- For other services	101 500	-
Depreciation and revaluation loss	2 030 641	1 782 651
Bad debts	207 600	16 081
Board expenses	74 911	68 530
<b>15. FINANCE INCOME</b>		
Interest received	<b>694 037</b>	<b>581 905</b>
<b>16. FINANCE COSTS</b>		
Interest paid		
Bank and other short term borrowings	1 106 502	2 551 640
Leases	202 262	14 710
	<b>1 308 764</b>	<b>2 566 350</b>
<b>17. GRAIN RESERVES</b>		
The Board maintains Strategic Grain Reserve on behalf of the Botswana Government. The value of these stock are excluded from the year end stock value of the Botswana Agricultural Marketing Board.		

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006



## 18. PENSION FUND

The Board operates a defined benefit pension scheme for its eligible employees which provides for pensions paid based on length of service and salary at retirement date. The most recent actuarial valuation was performed on 1 April 2004 and the shortfall required upon such actuarial valuation is provided in these financial statements.

“

The Board's pension fund is still sound

”

## 19. RELATED PARTY TRANSACTIONS

The Board had transactions with related parties in the normal course of operations. Transactions with the Government of Botswana and the Government agencies are not considered as related party transactions.

Related parties with whom the Board transacted during the year are:

### Members of the Board

Board expenses

P 74 911

### Chief Executive

Short-term employee benefits

P 292 128

Other long-term employee benefits

P 77 868



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



AGRICULTURAL MARKETING BOARD  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

## 20. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate risk and currency risk arise in the normal courses of Board's business.

### Foreign currency risk

In the normal course of business, the Board enters into transactions denominated in foreign currencies. As a result, the Board is subjected to exposure to fluctuation in foreign currency. The Board does not hedge foreign exchange fluctuations. As at the year end there are no foreign currency assets or liabilities outstanding except for trade payables in Rands, for a Pula equivalent of Pula 818 154 (2005: Pula 153 215)

### Interest rate risk

The Board is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates of interest on its cash resources and investments. The cash resources are managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks. The Board places its funds mostly in fluctuating interest earning deposits (call deposits). The interest rates of funds placed under fluctuating interest earning deposits are adjusted on a short term basis based on changes in the prevailing market related interest rates. Further, these deposits are due on demand. The normal credit terms on debtors and creditors does not carry any interest.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006



## Credit risk

The financial assets of the Board that are subject to credit risk consist mainly of cash resources, receivables and other financial assets. The Board only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables are mainly from the government, amounting to P 2.6 million at the year end. The maximum credit exposure on trade and other receivables is limited to P11 million. The management evaluate credit risk relating to its debtors on an ongoing basis and where appropriate, makes adequate provisions for bad and doubtful debts.

The Board has also provided guarantees to banks in favour of various customers. This guarantee exposes the Board to credit risk. As at the year end, the total outstanding guarantees limited to P 3.5 million, representing maximum exposure to credit risk.

## Liquidity risk

The Board's risk to liquidity is a result of the funds available to cover the future commitments. The Board manages liquidity risk through ongoing review of its commitments and cash flow forecasts.

## Fair values

As per the management, the fair values of all financial instruments are substantially identical to carrying values reflected in the balance sheet due to short term maturity of these instruments.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



AGRICULTURAL MARKETING BOARD  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

	2006 Pula	2005 Pula
<b>21. CASH FLOW STATEMENT</b>		
21.1 The following convention applies to figures other than adjustments: Outflows of cash are represented by figures in brackets. Inflows of cash are represented by figures without brackets.		
<b>21.2 Cash generated from operations</b>		
Profit (loss) for the year	1 020 986	(443 051)
Adjustments	(11 069 888)	(4 387 084)
- Loss (profit) on disposal of property, plant and equipment	206 150	(389 300)
- Depreciation	2 030 641	1 782 651
- Finance income	(694 037)	(581 905)
- Finance charges	1 308 764	2 551 640
- Revaluation reserve transferred upon disposal	(2 066 091)	-
<b>Operating loss before working capital changes</b>	<b>(10 048 901)</b>	<b>(4 830 135)</b>
Decrease (increase) in working capital	26 342 250	(31 954 681)
- Decrease (increase) of inventories	22 585 498	(20 387 857)
- Decrease (increase) in trade and other receivables	6 928 883	(10 825 039)
- Decrease in trade and other payables	(3 172 130)	(741 785)
<b>Cash generated from (absorbed by) operations</b>	<b>16 293 349</b>	<b>(36 784 816)</b>
<b>21.3 Cash and cash equivalents</b>		
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Cash and cash equivalents	10 345 426	5 897 592
Short-term borrowings	-	(23 143 140)
<b>Cash and cash equivalents</b>	<b>10 345 426</b>	<b>(17 245 548)</b>

# UNAUDITED SUPPLEMENTARY SCHEDULES TO THE ANNUAL FINANCIAL STATEMENTS



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

## INDEX

Detailed income statement
Expenses

## Page

32
33

UNAUDITED  
SUPPLEMENTARY  
SCHEDULES TO THE  
ANNUAL FINANCIAL  
STATEMENTS



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

	Page	2006 Pula	2005 Pula
<b>DETAILED INCOME STATEMENT</b>			
<b>Revenue</b>		40 098 565	39 335 799
<b>Cost of sales</b>		35 393 643	32 875 202
<b>Gross profit</b>		4 704 922	6 460 597
<b>Other income</b>		12 549 352	8 332 074
Profit on disposal of property, plant and equipment		-	389 300
Grain Reserve maintenance fee		3 877 754	5 023 576
Bad debts provision reversed		-	353 539
Rent received		1 757 550	1 956 073
Other income		1 348 186	27 681
Interest received		694 037	581 905
Grant received		2 805 735	-
Revaluation reserve transferred upon disposal of assets		2 066 090	-
		<b>17 254 274</b>	<b>14 792 671</b>
<b>Expenses</b>	<b>33</b>	<b>16 233 288</b>	<b>15 235 722</b>
<b>Profit before taxation</b>		<b>1 020 986</b>	<b>(443 051)</b>

# UNAUDITED SUPPLEMENTARY SCHEDULES TO THE ANNUAL FINANCIAL STATEMENTS



BOTSWANA AGRICULTURAL MARKETING BOARD  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2006

## EXPENSES

	2006 Pula	2005 Pula
Advertising and promotions	106 239	111 474
Auditors' remuneration	141 500	-
Bad debts	207 600	16 081
Bank charges	158 614	146 484
Board expenses	74 911	68 530
Computer expenses	176 969	305 623
Depreciation	2 030 641	1 782 651
Electricity and water	234 344	335 586
Rates	47 066	49 166
Motor Vehicle expenses	445 998	297 707
Insurance	388 093	276 561
Interest	1 308 764	2 551 640
Penalties	210 295	742 000
Legal expenses	159 761	252 101
Loss on disposal of property, plant and equipment	206 150	-
Office expenses	119 597	91 192
Printing and stationery	154 112	155 334
Rent & utilities	189 882	109 950
Repairs and maintenance	1 586 520	680 571
Security	525 128	466 691
Staff training	36 103	72 612
Telephone and fax	339 055	366 974
Travelling expenses	302 192	357 962
Staff welfare	59 578	62 905
Salaries and wages	7 024 176	5 935 927
	<b>16 233 288</b>	<b>15 235 722</b>







THE ANNUAL FINANCIAL STATEMENTS FOR  
BOTSWANA AGRICULTURAL  
MARKETING BOARD  
FOR THE YEAR ENDED 31 MARCH 2006



DESIGN & LAYOUT:

NEWS COMPANY  
BOTSWANA

