



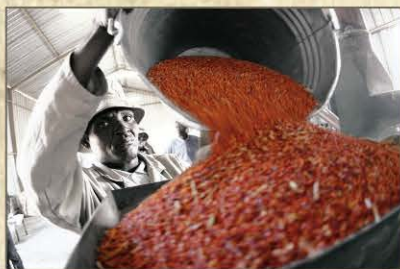


WHITE MAIZE

White maize is mainly sold to maize millers and individual consumers. It is by far the most popular carbohydrate food source in Botswana with demand in excess of 100,000 mt per year as compared to local production which on average is lower than 10,000 mt per year. It can be grown successfully in the Barolong Farms, Ngwaketse South areas and Chobe Enclave and Pandamatenga.

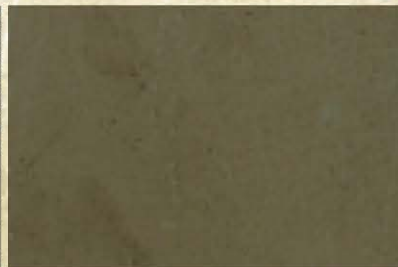
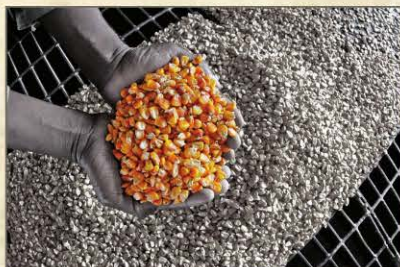
BAMB - "We feed the nation"


Proudly feeding the nation since 1974



1974

The Botswana Agricultural Marketing Board (BAMB) was established by an Act of Parliament, No. 2 of 1974 (Botswana Agricultural Marketing Board Act, 1974)





YELLOW MAIZE

Yellow maize is mainly sold to individual consumers and demand for it in the animal feed industry is growing. It can be grown successfully in the Chobe Enclave, Pandamatenga, Barolong Farms and Southern Ngwaketse areas. BAMB encourages farmers to grow it since at present market demand exceeds local production.

COMPANY OVERVIEW



Our mandate

BAMB is mandated "to buy all scheduled produce offered to it for sale by local producers, whilst ensuring that adequate supplies exist for sale to customers at affordable prices".

Vision

A leader in the marketing of high quality agricultural commodities and provision of service.

Mission

We provide access to marketing services, quality storage and commodities at the right price for a growing agricultural industry while exceeding customer expectations through knowledgeable and dedicated staff.

Our Products and Services

1. Agricultural Products:

Sorghum, maize, millet, sun-flower groundnuts, cowpeas, juko beans (ditloo), tepary beans, china peas (letlhodi), red kidney beans, soya beans e.t.c. We also have Ntlatlawane (whole bran sorghum meal) which is very ideal for people with diabetes and Mosutlhane/Mosarwa commonly referred to as Setswana rice.

2. Agricultural Inputs:

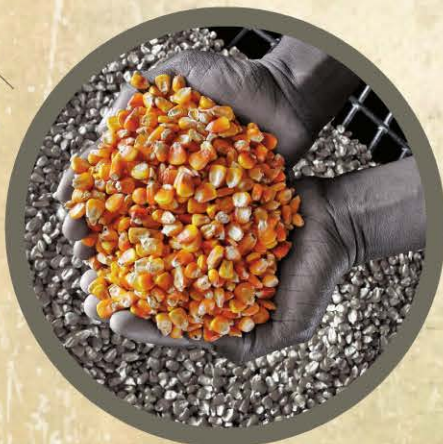
Different types of fertilizers, seeds, packaging material for your oranges, butternuts, cabbages, maize, sorghum e.t.c

3. Storage Facility:

BAMB operates twelve branches across the country with storage capacity in excess of 132 000 metric tons. This includes silos in Francistown, Pitsane and Pandamatenga. Storage facility is available for use by producers and millers at a nominal fee.

4. Animal Feed:

We carry a wide range of animal feed, including; cattle feed, goat/sheep feed, ostrich feed, pig feed, dog feed, horse feed, poultry feed, rabbit pellets e.t.c.





TSWANA COWPEAS

Tswana cowpeas are bought from local farmers and pre-packed into smaller packets for sale to consumers. They are drought tolerant and can be grown successfully in all parts of the country. Currently demand for the product exceeds the supply, therefore BAMB promotes its production. Cowpeas are a nutritious traditional food rich in proteins.

BOARD OF DIRECTORS



E M Maphanyane

Board
Chairperson



L R Manthe

Deputy
Board
Chairperson



B A Mpete

Board
Member



A B Tafa

Board
Member



G E Kalaben

Board
Member



Dr M C Chimbombi

Board
Member



T Y Raphaka

Board
Member



M C Kruger

Board
Member





BLACK EYED COWPEAS

Black eyed cowpeas are a popular product in Botswana. They are tasty and protein rich. BAMB buys them from local farmers, pre-packs them in smaller packages for retail. They can be grown successfully in most parts of Botswana. Currently demand for this product far exceeds supply and BAMB keenly promotes its production.

MANAGEMENT



M Mphathi
Chief
Executive
Officer



E Ncaagae
Finance
Manager



L Makubate
Operations
Manager



B Maifala
Human
Resource and
Administration
Manager



J Proctor
Marketing
Manager



Z Ziga
Internal
Auditor





SUGAR BEANS

Sugar beans are mainly sold to government schools for feeding and food relief. They can be grown fairly well in the Northern part of the country i.e. Pandamatenga, Chobe Enclave in and around the Okavango Delta.

CHAIRPERSON'S REPORT - 2007



E M Maphanyane

Board
Chairperson

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

Sir

The Botswana Agricultural Marketing Board (BAMB) has recorded a loss of P 3 541 805 for the year ended 31 March 2007, as compared to a net profit P 1 020 985 in the previous year.

The three year Strategic Plan to turn around BAMB ended on the 31st March 2007, coinciding with the year end results just reported. In this regard BAMB has not been able to reach its business targets. This is partly due to below normal production throughout the country, the result of which has been high market prices for grains and leading to profit margins that are narrower than the target.

External Auditors have again raised a concern about lack of implementation of legal provisions of the BAMB Act Cap 74:06, especially Sections 12 and 13 which require that the Stabilization and Development Funds respectively are established through a Parliamentary appropriation. The nature of the Board's operation is such that it is unduly exposed to market risks, and these provisions were meant to help the Board to cover deficits whenever they occur to avoid accumulation of losses. The Board of Directors shares the view of External Auditors and urges for the implementation of these provisions, to enable BAMB to successfully execute its mandate.

The Board is currently working on another three year strategic plan for the period, between 2007 and 2010 in consultation with stakeholders. The main aim of the Strategic Plan is to ensure that BAMB attains sustainability thus continue to support the development of the Agricultural sector. Salient elements of the strategy include supply chain management concepts such as contracting farmers to produce at agreed prices. This is expected to bring about a stable production environment, thus restore

confidence to producers and boost production of crops that can be viably produced locally. Another area of thrust will be to develop and expand the market, both internal and external, for products for which Botswana has a comparative advantage such as sorghum and sorghum products.

As a major player in ensuring food security for the nation, the Board continues to diligently manage the Strategic Grain Reserve (SGR) at the required level of 10,000mt of sorghum.

As required by Section 16 subsection (3) of the Botswana Agricultural Marketing Board Act, Cap 74:02 the Board has the honour of submitting the Thirty second Annual Report and the accounts for the year ended 31st March 2007.

The accounts were approved by the Board of Directors at its meeting held on the 05 July 2007.

A stylized, handwritten signature in black ink, consisting of a large, sweeping 'A' shape followed by a few smaller strokes.

Mr E M Maphanyane
BOARD CHAIRPERSON



RED KIDNEY BEANS

Red kidney beans are mainly sold to government for schools feeding and food relief services. They can be grown fairly successfully in the Northern part of the country i.e. Pandamatenga, Chobe Enclave and around the Okavango Delta.

CHIEF EXECUTIVE'S REPORT - 2007



Financial Review

The Botswana Agricultural Marketing Board has registered a net loss of P3, 541,805 as compared to the net profit of P1, 020,986 in 2006. Although there has been a loss, the Board has recorded a significant increase in its business over the reporting period as compared to previous year. Financial results for the year ended 31st March 2007 show an increase of 22.5% in sales, from P40,098,565 million in 2006 to P49,539,416 million. The gross profit margin has also increased from 11.7 % of sales or P4,704,922 in 2005/06 to 14.6% of sales or P7,237,394 in 2006/07. Although this is well below the target profit margin of twenty seven percent (27%), it is a decent improvement considering that shortages of grain stocks in the region led to higher market prices while at the same time the market response put pressure on the margins.

Business Review

Grain Purchases: In 2006 there was a general shortage of sorghum grain in the Southern African region due to poor harvest and the Board was compelled to import 27,500 metric tons (mt) of sorghum which included 10,000 mt of Strategic Grain Reserve (SGR) for national food security. Locally, the Board bought about 21,353 Mt of scheduled produce which included 15,690 mt of sorghum mainly from Pandamatenga farms, 2,860 mt of maize, 2,430 mt of sunflower, 226 mt of pulses and 147 mt of millet.

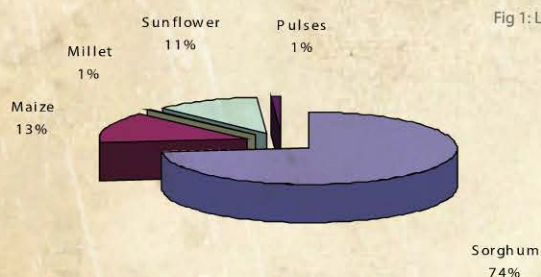


Fig 1: Locally purchased scheduled produce

BAMB adjusts producer prices (buying prices) monthly to stay in line with market prices during the harvesting period. Producer prices in Pula/mt for local agricultural produce during the reporting period ranged as follows:

Product	Price Range (Pula/mt)
Sorghum	870-1350
Maize	1170 - 1246
Maize (White & Yellow)	900 - 1100
Sunflower	1386 - 1980
Groundnuts	1795 - 3600
Pulses	1338 - 3500

Compared with previous years, these prices are fairly good and are expected to motivate producers to produce more. Higher producer prices however are not favourable for consumers who have to pay higher prices for finished products. BAMB as a major marketing vehicle for these products ensures that there is a balance in the opposing interests. In this respect BAMB will focus on supply chain management strategies which will sustain this balance.

CHIEF EXECUTIVE'S REPORT - 2007

Agricultural Inputs: During the reporting period, about 4,500 mt of animal feeds, 920 mt of fertilizers, and 62 mt of seeds 122,600 packaging materials in the form of empty bags were purchased. Of the total agricultural input stocks, imported animal feeds constituted eighty two (82) percent. The increase in animal feed is in line with the Board's strategy of widening its range of products and services, as a response to the needs of its customers.

Sales Summary

The total sales registered during the reporting period was P49,539,416 and most of the sales were from selling of agricultural produce which contributed 73%, while agricultural inputs only contributed 27%.

Grain Sales

On the total sales of agricultural produce realized this year, sorghum contributed about 82% followed by maize at 12%, sunflower 2.5 %, pulses 2.3% and others 1.2%.

Agricultural Inputs Sales

In the agricultural inputs category feeds constituted about 63 %, fertilizer 16 %, seeds 8%, packaging material 7 %, vegetable seeds 3 %, garden chemicals and fisheries equipment contributed 1% each.

Fig 1: Sales of agricultural produce

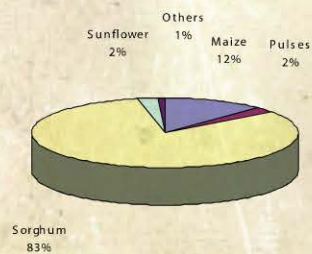
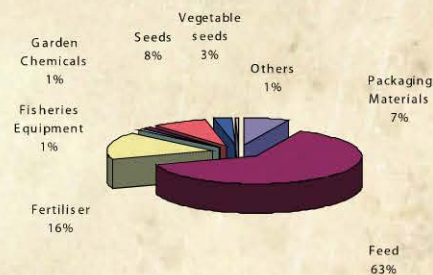


Fig 2: Sales of agricultural inputs



Public Relations

To improve its corporate image, BAMB recruited a Public Relations Officer to coordinate public relations activities. A brand manual was also developed to direct BAMB's brand identity. However, BAMB continued to suffer the problem of brand invisibility due to lack of funds to foster brand communication.

CHIEF EXECUTIVE'S REPORT - 2007

Corporate Strategic Review

Around November 2006 BAMB started formulating the 2007-2009 strategic Plan which embraces the concept of Balance Score Card. The main emphasis of this strategic plan is to put in place measures which will sustain the organization. Some of the strategies advocated for include: provision of high quality products and services, popularizing BAMB products and services, improving effectiveness and efficiency within the organization, Building capacity, improving communication channels as well as strengthening collaboration with other organizations and institutions in the industry.

Human Resources

As a strategy to empower its staff especially those at operational level, the board trained staff at various branches on customer service. The Board continues to develop its staff and improve the conditions of service so that they stay at par with market conditions. The position of Marketing Manager and Internal Auditor were filled during the reporting period. Staff turnover has over the years been low and the position continues to be stable with only three resignations recorded during the reporting period.

Corporate Governance

The Board of Directors oversees the organization's performance and provides strategic leadership, guidance and supervision to management. To achieve this, the Board meets management on quarterly basis and regularly reports the organization's activities to Government. The following subcommittees have been established to assist the Board of Directors in furthering its mandate.

Finance and Audit Committee

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

Tender Committee

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

Human Resources Committee

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

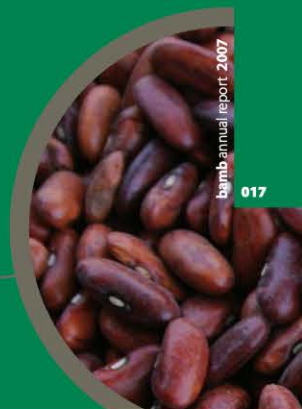


MOSUTLHANE (SORGHUM RICE)

Mosutlhane is produced by dehulling sorghum, i.e. removing the husk through a process similar to rice making. This product is part of a traditional cuisine which got lost with the influx of foreign foods. BAMB promotes it as an affordable and nutritious carbohydrate, which can substitute rice.



The annual financial statements of
Botswana Agricultural Marketing Board
for the year ended 31 March 2007



The annual financial statements of
Botswana Agricultural Marketing Board
for the year ended **31 March 2007**

**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

E M Maphanyane
L R Manthe
T Mabutho (Retired on 13 November 2006)
K Selotlegeng (Retired on 27 July 2006)
M C Chimbombi
B A Mpete
A B Tafa
M C Kruger
E L Molema (Retired on 02/08/2006)
G Kalaben (Appointed 1/08/2006)
T Y Raphaka (Appointed 1/09/2006)

Board secretary

B Maifala

Chairman of the Board

E M Maphanyane

Chief Executive Officer

M Mphathi

Postal address

Private Bag 0053, Gaborone, Botswana

Business address

Plot No 130, Unit 3 & 4 Nkwe Square GIFF Gaborone
Botswana

Bankers

Standard Chartered Bank Botswana Limited
Barclays Bank Botswana

Auditors

Grant Thornton Acumen
Certified Public Accountants
Botswana member firm of Grant Thornton
International

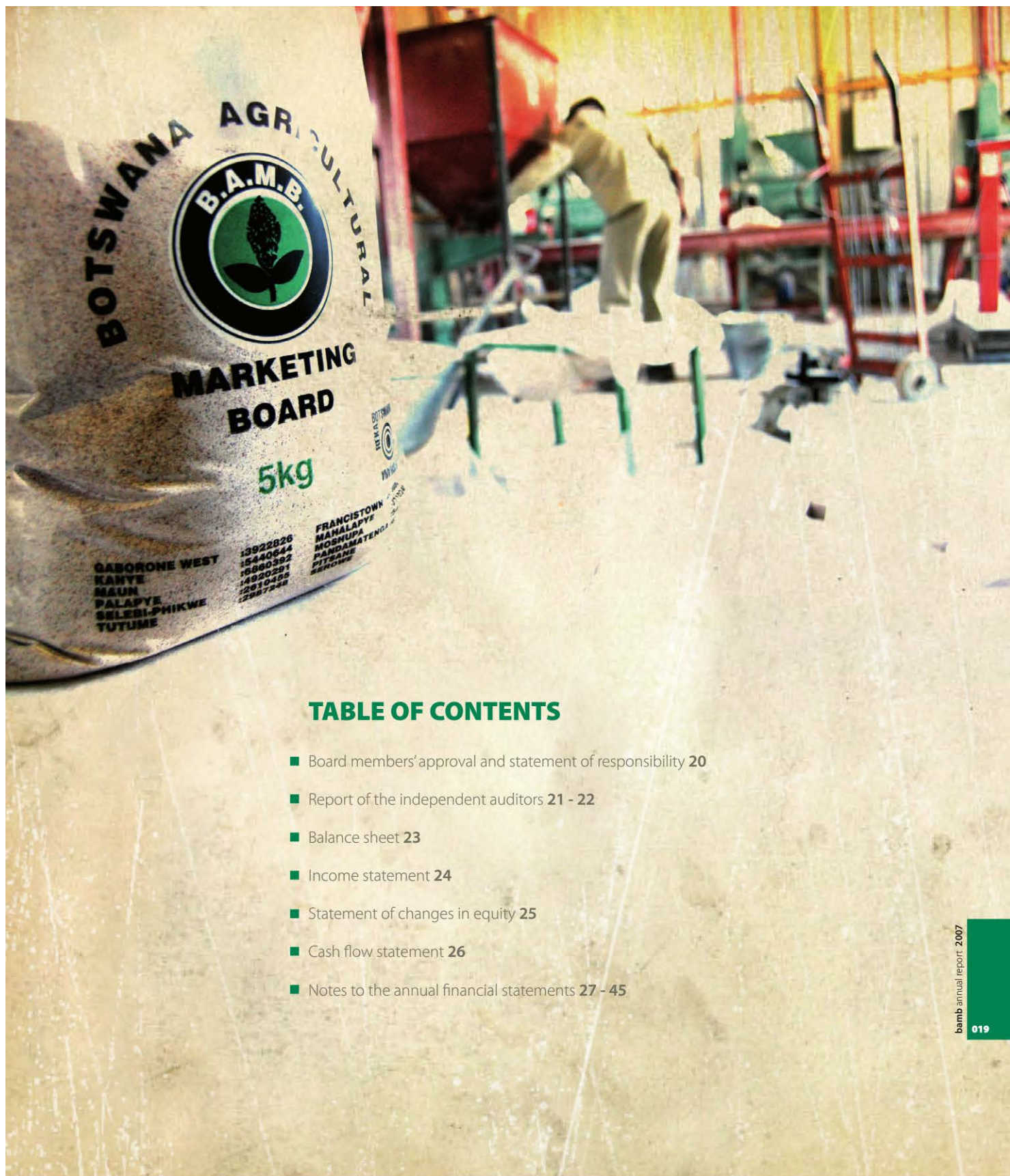


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- Report of the independent auditors 21 - 22
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- Statement of changes in equity 25
- Cash flow statement 26
- Notes to the annual financial statements 27 - 45

BOARDS' APPROVAL AND STATEMENT OF RESPONSIBILITY

The Members of the Board are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Board as at the end of the financial year and of the income statement and cash flows of the Board for that period. The annual financial the board.

The Members of the Board are responsible for ensuring that the Board keeps accounting records which disclose with reasonable accuracy, at any time, the financial position of the Board and which enable them to ensure that the financial statements comply with the Botswana Agricultural Marketing Board Act 1974 (CAP 74:06).

The Members of the Board are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Board and to prevent and detect fraud and other irregularities.

The Members of the Board consider that, in preparing the financial statements for the year ended 31 March 2007 set out on pages 5 - 24, the Board has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Members of the Board also consider that all applicable International Financial Reporting Standards (IFRS) have been followed and confirm that the financial statements have been prepared on the going concern basis.

The annual financial statements are prepared in accordance with IFRS and incorporate disclosures in line with the accounting policies of the Board.

The Members of the Board are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Members of the Board have reviewed the Board's cash flow forecast and, in the light of this review and the current financial position, they are satisfied that the Board has or has access to adequate resources to continue in operational existence for the foreseeable future.

It is against this background that the members of the Board accept the responsibility for the annual financial statements, set out on pages 23 - 45, which have been prepared on the going concern basis, approved by the Members of the Board on 5 July 2007 and were signed on their behalf by;



Chairperson

Place: Gaborone

Date: August 2007



Member

Place: Gaborone

Date: August 2007

REPORT OF THE INDEPENDENT AUDITORS

To the members of Botswana Agricultural Marketing Board

Report on the Financial Statements

We have audited the accompanying financial statements of Botswana Agricultural Marketing Board set out on pages 23 - 45 which comprise the balance sheet as at 31 March 2007, and the income statement,

Board members' Responsibility for the Financial Statements

The Members of the Board are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Botswana Agricultural Marketing Board Act 1974 (CAP 74:06)

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material aspects the financial position of Botswana Agricultural Marketing Board as of 31 March 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with Section 16(5) of the Botswana Agricultural Marketing Board Act, 1974 (CAP: 74.06), we confirm that:

- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the performance of our duties as auditors;
- in our opinion, the accounts and related records of the Board have been properly kept;
- the statement of accounts prepared by the Board was prepared on a consistent basis with that of the preceding year.
- the Board has complied with the financial provisions of Botswana Agricultural Marketing 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 the Board shall establish a Stabilisation fund and we noticed that no such fund was established.
 - Section 13 of the Botswana Agricultural Marketing Board Act, 1974 (CAP: 74.06) requires that the Board shall establish a Development fund and we notice that no such fund was established.
 - 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 deficit of P 3 541 805 and accumulated deficit of P 9 958 236 as at 31 March 2007, it is our opinion that the Board has not complied with the financial provision set out in this section of the Act.

Gert Moshin Aeng

Certified Public Accountants

GABORONE

20/07/2007

BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2007 Pula	2006 Pula
ASSETS			
Non-current assets			
Property, plant and equipment	2	28 514 627	26 135 744
Current assets			
Inventories	3	35 718 023	3 136 849
Trade and other receivables	4	8 544 442	7 104 547
Cash and cash equivalents		3 282 427	10 345 426
Total assets		76 059 519	46 722 566
EQUITY AND LIABILITIES			
Equity			
Government equity	5	26 455 061	26 455 061
Recallable capital		1 000 000	1 000 000
Revaluation reserve	6	19 231 448	19 827 816
Accumulated losses		(9 958 236)	(7 012 796)
Non-current liabilities			
Long term borrowings	7	551 924	744 788
Current liabilities			
Trade and other payables	8	4 971 919	5 185 493
Current portion of long term borrowings	7	566 820	522 204
Short term borrowings	9	33 240 583	-
Total equity and liabilities		76 059 519	46 722 566

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 Pula	2006 Pula
Revenue		49 539 416	40 098 565
Cost of sales	13	(42 302 022)	(35 393 643)
Gross profit		7 237 394	4 704 922
Other income	14	8 207 801	11 855 315
Administration and other expenses	15	(17 714 612)	(14 924 525)
Interest received	16	857 435	694 037
Finance costs	17	(2 129 823)	(1 308 764)
Net (loss) profit for the year		(3 541 805)	1 020 985



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

	Government Equity Pula	Recallable Capital Pula	Revaluation reserve Pula	Accumulated loss Pula	Total Pula
Balance at 31 March 2005	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	-
Transfer upon disposal of asset			(2 066 090)	-	(2 066 090)
Surplus for the year				1 020 985	1 020 985
Balance at 31 March 2006	26 455 061	1 000 000	19 827 813	(7 012 796)	40 270 078
Amortisation of revaluation reserve			(519 865)	519 865	-
Transfer upon disposal of asset			(76 500)	76 500	-
Deficit for the year				(3 541 805)	(3 541 805)
Balance at 31 March 2007	26 455 061	1 000 000	19 231 448	(9 958 236)	36 728 273

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 Pula	2006 Pula
CASH FLOWS FROM OPERATING ACTIVITIES		(36 432 279)	27 533 937
Cash (absorbed by) generated from operations	20.2	(35 159 891)	28 148 664
Interest recieved		857 435	694 037
Interest paid		(2 129 823)	(1 308 764)
CASH FLOWS FROM INVESTING ACTIVITIES		(3 678 439)	438 087
Purchase of property, plant and equipment		(3 838 717)	(1 448 631)
Proceeds on disposal of property, plant and equipment		160 278	1 886 718
CASH FLOWS FROM FINANCING ACTIVITIES		(192 864)	(381 050)
Payment of long term borrowings		(192 864)	(381 050)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(40 303 582)	27 590 974
Cash and cash equivalents at the beginning of the year	20.3	10 345 426	(17 245 548)
Cash and cash equivalents at the end of the year	20.3	(29 958 156)	10 345 426



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Board's financial statements are set out below. All policies are consistent with those of the previous year unless otherwise stated.

1.1 Basis of preparation

The Board's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Botswana Agricultural Marketing Board Act 1974 (CAP 74:06). The financial statements are prepared under the historical cost convention with the exception of property, plant and equipment and financial instruments that are stated at fair values. The financial statements are prepared on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Board's financial statements are disclosed in the "Critical accounting judgements and key sources of estimation uncertainty" section of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

1.2 Adoption of new and revised standards

In the current year the Board adopted the following new or revised IFRS, which are relevant to its operation.

IASB Pronouncement			Effective date
IAS 19	Amended 2004	Employee benefits - Actuarial gains and losses, Group plans and Disclosures	1 January 2006
IAS 39	Amended 2005	Financial instruments: Recognition & measurement: The fair value option	1 January 2006

The adoption of these amendments will not result in substantial changes to the Board's accounting policies. The impact of these amendments has been to expand the disclosures provided in the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

1.3 Adoption of new and revised standards (Future periods)

Certain new standards, amendments and interpretations to existing standards have been published as follows:

IASB Pronouncement			Effective date
IAS 1	Amendments in 2005	Presentation of Financial Statements: Capital Disclosures	1 January 2007
IAS 23	Revised 2007	Borrowing costs - capitalisation	1 January 2009
IFRS 7	Issued 2005	Financial instruments: disclosures	1 January 2009

The members of the Board do not anticipate that the adoption of standards will have a material impact on the financial statements in the period of initial application. Upon adoption of IFRS 7, the Board will have to disclose additional information about its financial instruments, their significance, the nature and extent of risks that they give rise to. There will be no effect on reported income or net assets.

1.4 Critical accounting judgements and key sources of estimation uncertainty

Preparing financial statements in conformity with IFRS results in management having to make estimates and assumptions that impact reported amounts and the related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. As a consequence, actual results could differ from these estimates. The following accounting policies have been identified as being areas where management has made estimates or judgements:

Useful life and residual values of property, plant and equipment

The estimates of useful lives as translated into depreciation rates are detailed in the property, plant and equipment policy on the annual financial statements. These rates and residual values of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments prevailing in the country.

Impairment of assets

An assessment at a cash-generating unit level for property, plant and equipment and financial assets, is performed at each reporting date. An individual assessment of property, plant and equipment is performed annually based on the technical, economic and business circumstances.

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.

Provisions

Management has applied judgement in estimating various provisions raised in the operations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

1.5 Recognition of assets and liabilities

Assets are only recognised if they meet the definition of an asset; it is probable that future economic reliably.
Liabilities are only recognised if they meet the definition of a liability; it is probable that future economic reliably.
Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract.

1.6 Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.
Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated depreciation and impairment losses.
Depreciation is provided on all property, plant and equipment other than land and capital work in progress. Depreciation is calculated on a straight line basis so as to write off the cost or other revalued amount of each asset over its expected useful life to its residual value. The following expected useful lives are used in the calculation of depreciation:

Buildings	40 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

1.8 Financial instruments

Initial recognition and measurement

Financial instruments are recognised when the Board becomes a party to the transaction. Initial measurement is at cost, which includes transaction cost. Subsequent to initial recognition, these instruments are measured as follows:

Trade and other receivables

Trade and other receivables originated by the Board are stated at fair value of consideration receivable less impairment charge. Impairment charges are recognised when the collection of the full amount is no longer possible. Impairment charges are written off to the income statement as incurred.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms are carried at cost, which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Board. Payables to related parties are carried at cost.

Financial liabilities

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

Equity instruments

Equity instruments comprise government equity and callable capital which are recorded at value at which the loan and other payable to government was converted and the proceeds recorded respectively.

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 a loss on a financial asset or a 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

1.9 Inventory

Inventory is valued at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale.

The cost of inventories is assigned using the weighted average cost formula and includes transport and entity.

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

1.10 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).

1.11 Leases

Leases are classified as finance leases whenever the term of the lease transfers substantially all the risk and rewards of ownership of the lease. All other leases are classified as operating leases.

The Board as lessee

Assets held under finance leases are recognized as assets of the Board at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Leases, which confer the right to the use of assets are treated as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

1.12 Provisions

Provisions are recognised when the Board has a present obligation (legal or constructive) as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. The amount of provision is the present value of the expenditure expected to be required to settle the obligation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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1.13 Revenue recognition

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

Revenue is recognised to the extent it is probable the future economic benefits will flow to the board and the amount can be reliably measured.

Funding is recognised in the income statement as it accrues unless ability to collect is in doubt. Interest is recognised as the interest accrues unless ability to collect is in doubt.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid leave), are recognised in the period in which the service is rendered and are not discounted.

Gratuities are paid to employees of the Board based on terms of employment contract over the period of employment. Employee annual entitlements (leave and gratuities) are recognised when they accrue to the employees and provision is made for the estimated liability as a result of service rendered by the employee up to the balance sheet date.

1.15 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, fixed deposits and short term highly liquid investments readily convertible to known amounts of cash. Cash and cash equivalents are measured at fair value.

1.16 Impairment

At each balance sheet date, the Board reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. The recoverable amount of an asset is greater of the net selling price and the value in use. In assessing the value in use, the estimated future cashflows are discounted to their present value using a discount rate that reflects the current market amounts of the time value of money and the risk specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Board estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

	2007 Pula	2006 Pula
2. PROPERTY, PLANT AND EQUIPMENT - OWNED		
Cost or valuation		
Freehold land and buildings	28 754 965	26 445 512
Equipment	3 465 350	2 962 281
Motor vehicles	2 583 630	2 187 155
Furniture and fittings	791 602	177 923
Capital Work in progress	-	277 480
	35 595 547	32 050 351
Accumulated depreciation		
Freehold land and buildings	3 030 425	2 420 456
Equipment	2 372 624	2 268 214
Motor vehicles	1 476 154	1 081 035
Furniture and fittings	201 717	144 902
	7 080 920	5 914 607
Carrying amount		
Freehold land and buildings	25 724 540	24 025 056
Equipment	1 092 726	694 067
Motor vehicles	1 107 476	1 106 120
Furniture and fittings	589 885	33 021
Capital Work in progress	-	277 480
	28 514 627	26 135 744

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2007

	2007 Pula	2006 Pula
2.1 Movement for the year		
- Cost or valuation At beginning of year	32 050 351	32 950 658
Additions	3 838 717	1 448 631
-Freehold land and buildings	3 121 974	378 000
-Equipment	670 589	352 375
-Motor vehicles	432 475	423 147
- Furniture and fittings	613 679	17 629
- Capital Work in progress	-	277 480
- Disposals		
-	(293 521)	(2 348 938)
- Freehold land and buildings	(90 000)	(2 172 493)
- Motor vehicles	(36 000)	(176 445)
- Office equipment	(167 521)	-
At end of year	35 595 547	32 050 351
2.2 Movement for the year		
- Depreciation		
At beginning of year	5 914 607	4 140 036
-Charge for year	1 315 002	2 030 641
-Eliminated on disposals	(148 689)	(256 070)
At end of year	7 080 920	5 914 607

The carrying amount of property, plant and equipment includes motor vehicles with a carrying amount of P 626 901 (2006: P 895 731) which are held under finance leases. These motor vehicles are held as security as disclosed in note 7.

Freehold land and buildings 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

- 31 MARCH 2007

	2007 Pula	2006 Pula
3. INVENTORIES		
Goods for resale	35 718 023	3 136 849
The Board's inventories are secured against its banking facilities. At the year end, the total bank borrowings are stated at P 31 850 780 (Refer note 9)		
Grain reserves		
The Board maintains Strategic Grain Reserves on behalf of the Botswana Government. The value of these inventories are excluded from the year end inventory value of the Botswana Agricultural Marketing Board.		
4. TRADE AND OTHER RECEIVABLES		
Trade receivables	9 319 987	7 342 135
Other receivables	280 708	300 597
	9 600 695	7 642 732
Less: provision for doubtful debts	(1 056 253)	(538 185)
	8 544 442	7 104 547
5. GOVERNMENT EQUITY		
Balance as at 31 March	26 455 061	26 455 061
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.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

	2007 Pula	2006 Pula
6. REVALUATION RESERVE		
Arising on revaluations	19 231 448	19 827 816
6.1 Movement for the year		
At the beginning of the year	19 827 816	22 901 533
Amortised and transferred to accumulated deficit	(519 865)	(1 007 627)
Transfer on disposal	(76 500)	(2 066 090)
At the end of the year	19 231 448	19 827 816
The difference between carrying value and the open market value has been credited directly to the revaluation reserve and amortised on a yearly basis directly to accumulated deficit to the extent of difference between depreciation based on the revalued amount and depreciation based on original cost.		
7. LONG TERM BORROWINGS		
Present value of minimum lease payments leases:		
Current liabilities - within one year	566 820	522 204
Non-current liabilities - two to five years	551 924	744 788
	1 118 744	1 266 992

It is the Board's policy to lease some of its Motor Vehicles under finance leases. The average lease term is 3-5 years. For the year ended 31 March 2007, the effective borrowing rate was prime less 2% per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Botswana Pula.

The fair value of the Board's lease obligations approximate their carrying amount.

The Board's obligations under finance leases are secured by the lessor's charge on the leased assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

	2007 Pula	2006 Pula
8. TRADE AND OTHER PAYABLES		
Trade payables	2 629 038	2 667 391
Short term employee benefits payable	1 838 434	1 701 682
Other payables	504 447	816 420
	4 971 919	5 185 493
9. SHORT TERM BORROWINGS		
Standard Chartered Bank Botswana Limited	31 850 780	-
The Board has an overdraft facility designated in South African rands solely to finance the acquisition of 27 500 metric tonnes of Sorghum grains. The overdraft is charged at the prevailing prime rate, less 1.5%. The short term loan is secured by a cession of the entities inventories of Red Sorghum valued at P 42 000 000.		
Standard Chartered Bank Botswana Limited	1 389 803	-
The Board enjoys BWP overdraft facilities to finance general working capital requirements up to a maximum aggregate principal amount of P5 Million. The over draft is charged at the prevailing prime rate, less 2.65%.		
	33 240 583	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2007

	2007 Pula	2006 Pula
10. CONTINGENCIES		
Bank Guarantees by Standard Chartered Bank Botswana Limited		
The Board has an uncommitted facility to issue guarantees/letters of credit. Further, the entity has an uncommitted Guarantee in favour of The Department of District Administration for the Government of Botswana's Bean Tender. The latter Guarantee is not quantifiable.		
The Board has a Forward Foreign Exchange facility with Standard Chartered Bank Botswana Limited. This facility is to cover the maximum liability not exceeding US\$ 250 000 to the bank for exchange of foreign currency that the Board undertakes.	2 084 101	3 501 292
	-	-
	<u>2 084 101</u>	<u>3 501 292</u>
11. COMMITMENTS		
Authorised capital expenditure		
-Not contracted for	448 900	1 704 520
Operating leases		
Future leasing charges for premises and office.		
Within one year	-	195 189

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

12. RISK MANAGEMENT

The transactions in financial instruments result in the Board assuming risks. These include market risk, credit risk and liquidity risk. Each of these risks is described below, together with a summary of the ways the Board manages these risks.

12.1 Market risk

Market risk can be described as the risk of change in the fair value of financial instruments brought about by changes in interest rate and foreign currency exchange rates.

Fluctuations in interest rate impact on the value of short term investments and borrowings, giving rise to price risk. In order to mitigate the risk, the Board maintains surplus funds in interest earning accounts to maximise returns and minimise risks. These deposits are due on demand. The Board does not hedge foreign exchange fluctuations.

12.2 Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Board. The financial assets of the Board, which are subject to credit risk, consist mainly of cash resources, short term investments and receivables. Exposure to third parties is maintained as part of credit control process. The cash resources are placed with reputable financial institutions which are registered in Botswana. Banks in Botswana are not rated but each of these banks are subsidiaries of major South African or United Kingdom registered institutions.

12.3 Liquidity risk

The Entity is exposed to daily operations payment of trade creditors. Liquidity risk is the risk that cash may not be available to pay obligation when due to a reasonable cost. The Board set limits on the minimum proportion of maturing funds available to meet such calls and unexpected levels of demand.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

	2007 Pula	2006 Pula
13. COST OF SALES		
Cost of goods sold	46 912 345	35 393 643
Government of Botswana- Transport subsidy	(4 610 323)	-
	<u>42 302 022</u>	<u>35 393 643</u>
14. OTHER INCOME		
Profit on disposal of property plant and equipment		15 446 -
Other income	114 846	1 348 186
Grant received	2 684 767	2 805 735
Grain reserve maintenance fee	3 877 754	3 877 754
Rent received	1 514 988	1 757 550
Transfer of revaluation surplus upon realisation	-	2 066 090
	<u>8 207 801</u>	<u>11 855 315</u>
15. ADMINISTRATION AND OTHER EXPENSES		
Administration and other expenses are inclusive of:		
Auditors' remuneration		
- Audit fee	79 000	40 000
- Fees for other services	22 530	101 500
Depreciation	1 315 002	2 030 641
Bad debts	615 168	207 600
Salaries and wages	7 321 672	7 024 176
Staff gratuities	585 539	59 578
Board member fees	48 511	74 911
16. INTEREST RECEIVED		
Interest income	<u>857 435</u>	<u>694 037</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

	2007 Pula	2006 Pula
17. FINANCE COSTS		
Bank and other short term borrowings	1 930 612	1 106 502
Finance leases	199 211	202 262
	2 129 823	1 308 764
18. PENSION FUND		
<p>The Board operates a defined benefit contribution pension scheme for its eligible employees which provides for pensions paid based on length of service and salary at retirement date. The actuarial valuation was performed on 1 April 2005 and the shortfall required upon such actuarial valuation is provided in these financial statements.</p>		
19. RELATED PARTIES AND RELATED PARTY TRANSACTIONS		
Related parties		
<p>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.</p>		
Members of the Board		
Board expenses	48 512	74 911
Chief Executive Officer		
Short term employee benefits	496 833	292 128
Other long term employee benefits	383 596	77 868

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 31 MARCH 2007

	2007 Pula	2006 Pula
20. CASH FLOW STATEMENT		
20.1 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.		
20.2 Reconciliation of (loss) Profit for the year to cash (absorbed by) generated from operations		
(Deficit) Surplus for the year	(3 541 805)	1 020 985
Adjustments	2 571 944	785 427
-(Profit) Loss on disposal of property, plant and equipment	(15 446)	206 150
- Depreciation and amortisation	1 315 002	2 030 641
- Interest received	(857 435)	(694 037)
- Finance charges	2 129 823	1 308 764
- Revaluation reserve transfer upon disposal	-	(2 066 091)
Operating (Loss) Profit before working capital changes	(969 861)	1 806 412
(Increase) decrease in working capital	(34 190 030)	26 342 252
-(Increase) decrease in inventories	(32 581 174)	22 585 498
-(Increase) decrease in trade and other receivables	(1 439 898)	6 928 884
- Increase in trade and other payables	(168 958)	(3 172 130)
Cash (absorbed by) generated from operations	(35 159 891)	28 148 664
20.3 Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Cash and cash equivalents	3 282 427	10 345 426
Short term borrowings	(33 240 583)	-
Cash and cash equivalents	(29 958 156)	10 345 426

UNAUDITED SUPPLEMENT SCHEDULES TO THE ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2007

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Detailed income statement

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Expenses

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UNAUDITED SUPPLEMENT SCHEDULES TO THE ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2007

	Page	2007 Pula	2006 Pula
DETAILED INCOME STATEMENT			
Revenue		49 539 416	40 098 565
Cost of Sales		42 302 022	35 393 643
GROSS PROFIT		7 237 394	4 704 922
OTHER INCOME		9 065 236	12 549 352
Grain reserve maintenance fee		3 877 754	3 877 754
Grants received		2 684 767	2 805 735
Interest		857 435	694 037
Other income		(14 846)	1 348 186
Profit on disposal of property, plant and equipment		13 446	-
Rent		1 514 988	1 757 550
Transfer of revaluation upon realisation		-	2 066 090
EXPENSES	27	16 302 630	17 254 274
(LOSS) PROFIT FOR THE YEAR		(3 541 805)	1 020 985



UNAUDITED SUPPLEMENT SCHEDULES TO THE ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2007

EXPENSES	2007 Pula	2006 Pula
Advertising and promotions	368 019	106 239
Auditor's remuneration	101 530	141 500
Bad debts	615 168	207 600
Bank charges	483 533	158 614
Board Expenses	48 512	74 911
Computer expenses	174 742	176 969
Depreciation	1 315 002	2 030 641
Electricity and water	264 022	234 344
Entertainment	30 028	47 066
Insurance	478 362	388 093
Finance costs	2 129 824	1 308 764
Legal expenses	192 620	159 761
Loss on disposal of property, plant and equipment	-	206 150
Motor vehicle expenses	588 227	445 998
Office expenses	142 748	119 597
Penalties	-	210 295
Printing and stationery	252 287	154 112
Rent and utilities	240 883	189 882
Repairs and maintenance	2 785 693	1 586 520
Salaries and Wages	7 321 672	7 024 176
Security	717 779	525 128
Staff Training	34 982	36 103
Staff gratuities	585 539	59 578
Telephone and fax	359 981	339 055
Travelling expenses	613 282	302 192
	19 844 435	16 233 289

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