



Botswana Agricultural Marketing Board

Annual Report ²⁰⁰⁹



feeding the nation... **nourishing new life**



Botswana Agricultural Marketing Board

BAMB | Annual Report | **2009** | feeding the nation...nourishing new life





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COMPANY OVERVIEW

Our Mandate

The Botswana Agricultural Marketing Board (BAMB) was established by an act of Parliament, No. 2 of 1974 mandated to provide a market for locally grown scheduled crops such as cereals, pulses/beans and oilseeds and ensure that adequate supplies exist for sale to customers at affordable prices.

Powers of BAMB - conferred by the Act

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

The Act also requires BAMB

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



BAMB Board Chairperson Ms Manthe at a millet producers farm



BUSINESS PHILOSOPHY

VISION

A preferred market for quality Agricultural products and services.

MISSION

We provide marketing and storage services for growing the Agricultural industry through knowledge, information and dedicated staff

VALUES

Integrity
Trustworthiness
Courtesy
Timelines
Innovativeness
Efficiency
Team Work

Sorghum, Botswana's staple food





OUR PRODUCTS AND SERVICES

BAMB offers the following to the farming community and consumers:

- **Agricultural Produce:** buying, packaging, processing and selling locally grown produce such as:
 - ◊ **Cereals:** - sorghum, maize and millet as well as processed sorghum products (Mosutlhane – sorghum rice/dehulled sorghum grain, Ntlatlawane – sorghum whole meal).
 - ◊ **Pulses:** - Tswana cowpeas, Purple cowpeas, Black-eyed beans, White haricots, Jugo beans, Tepary beans and China peas
 - ◊ **Oilseeds:** - groundnuts and sunflower.
- **Agricultural Farming Inputs:** BAMB sells quality seeds for rainfed crops, vegetable seeds, various types of fertilizers, other agrochemicals and packaging materials for agricultural produce.
- **Animal Feeds:** BAMB stocks a wide range of animal feeds, for cattle, poultry, piggery, game and small stock.
- **Custodian of Government Strategic Grain Reserve:** BAMB is contracted by the Government of Botswana to manage its Strategic Grain Reserve (SGR) for national food security purposes. BAMB has been managing and maintaining the government SGR for more than twenty 20 years. Due to the threat of food shortage in 2008, Government increased the Reserve from 10,000 Mt of sorghum to 70,000 Mt comprising 30,000 Mt of Sorghum, 30,000 Mt of Maize and 10,000 Mt of pulses (cowpeas and beans)
- **Product Development and Market Information:** BAMB provides guidance in product and market development for locally grown rainfed produce and also informs farmers about market conditions ahead of planting to guide them to plan their production as well as to assist them to access finance from lending institutions. The information imparted to farmers typically includes, crops that the market demands, price forecasts and opportunities
- **Contract Farming:** BAMB searches for markets for specific crops and contracts farmers to produce them at agreed prices and quantities. This helps to minimize exposure to price risks due to price fluctuations dictated by market conditions.





BOARD OF DIRECTORS



L R MANTHE
BOARD CHAIRPERSON



T R THEBE
BOARD MEMBER



D TIBE
BOARD MEMBER



G E KALABEN
BOARD MEMBER



K N MONTHE
BOARD MEMBER



M C KRUGER
BOARD MEMBER



Dr. M C CHIMBOMBI
BOARD MEMBER



B A MPETE
BOARD MEMBER



The Government of Botswana has contracted BAMB to manage the Strategic Grain Reserve (SGR) for national food security purposes.



MANAGEMENT



M MPHATHI
CHIEF EXECUTIVE OFFICER



E NCAAGAE
FINANCE MANAGER



L MAKUBATE
OPERATIONS MANAGER



B MAIFALA
HUMAN RESOURCES & ADMINISTRATION MANAGER



J PROCTOR
MARKETING MANAGER



Z ZIGA
INTERNAL AUDITOR



One of the sorghum producers





CHAIRPERSON'S REPORT



L R MANTHE
BOARD CHAIRPERSON

The Honourable Christiaan De Graaf MP
Ministry of Agriculture
Private Bag 003
Gaborone

The Botswana Agricultural Marketing Board (BAMB) has recorded a net profit of P14 681 549 for the year ended 31st March 2009 which is a four fold increase over the net profit of P3, 526,556 realized in the previous year. This is attributable to a growth in revenue of fifty one percent (51%), from P92 454 968 (2007/2008) to P139 523 726 (2008/2009). This being the second consecutive year in which BAMB has made a profit, assures us that the turn-around strategy initiated in 2007 is beginning to bear fruit.

With the profit realized the Board is able to clear the long outstanding accumulated deficit which stood at P 5 911 904 as at March 31, 2008 and remain with retained earnings of P7 527 997. This is a remarkable achievement for BAMB given that an accumulated trading deficit has recurred over the past 34 years. As a result, the Board has now fully complied with the financial provisions as stated under Section 14 of the Botswana Agricultural Marketing Board Act (CAP 74:06) which requires "the Board to perform its functions and conduct its

activities so far as is possible to ensure that, taking one financial with another, its revenues are sufficient to enable the Board to meet the expenditure of the Board properly chargeable to its revenue account". The Board will also be able to pay dividends to Government for the first time since it was established.

Despite the general economic slow down, growth in business remained robust, largely due to the increase in demand for inputs under the Integrated Programme for Arable Agriculture Development (ISPAAD), a growing demand for indigenous foods and the fact that in household expenditure the food component is typically the last to be adjusted when households tighten their budgets.

Low productivity in the arable farming sub-sector and the accompanying unstable producer prices are some of the challenges that BAMB and the sector as a whole face. The strategies adopted by BAMB to tackle these challenges include making high quality inputs such as hybrid seeds and fertilizers accessible to farmers as well as ensuring that producers get a fair price for their produce and that such products are sold in the market at competitive prices. Setting prices that are equitable to both producer and consumers is a difficult task and we are happy that Government has increased the



CHAIRPERSON'S REPORT (continued)

Stabilization Fund to assist BAMB to maintain stability in the market and reduce market risks for farmers.

BAMB has been contracted by Government to manage Strategic Grain Reserve (SGR) for ensuring national food security. The management of the SGR has become a major undertaking for BAMB, following Government decision to increase it from 10,000 Mt of sorghum to 70,000 Mt comprising 30,000 Mt of sorghum, 30,000 Mt of maize and 10,000 Mt of pulses (cowpeas and beans). As such the agency agreement is being revised to suit management and reporting requirements of the current reserve. An Annual Report and Financial Statements reporting the activities and the results of SGR is appended to this report.

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 fourth Annual Report and the accounts for the year ended 31st March 2009.

These accounts were approved by the Board of Directors at its meeting held on the 25th June 2009.

Ms L. R. Manthe
BOARD CHAIRPERSON



Mosutlhane



CHIEF EXECUTIVE OFFICER'S REVIEW

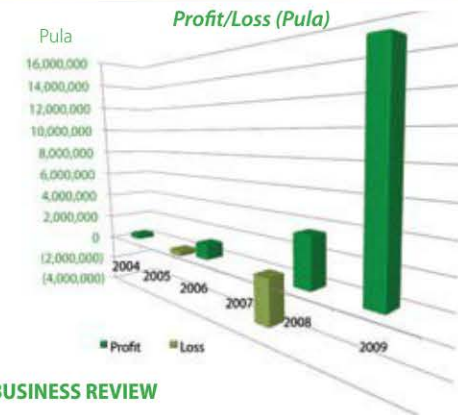
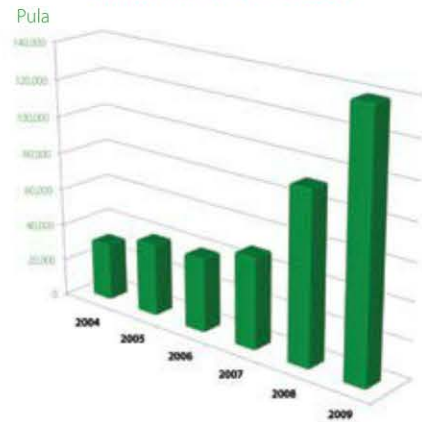


M MPHATHI
CHIEF EXECUTIVE OFFICER

FINANCIAL REVIEW

The Botswana Agricultural Marketing Board has registered a fifty one percent (51%) increase in revenue from P 92 454 968 in 2008 to P139 523 726 for the year ended 31st March 2009. A net profit of P14 681 549 has been realized compared with the previous year's net profit of P3, 526,556. This is a great improvement considering the competitive environment within which BAMB operates that normally puts pressure on the gross profit margins of the Board. Operating costs including finance costs have increased marginally by 3.6% from P22 365 517 (2007/2008) to P23 184 449 (2008/2009).

BAMB Turnover (2004-2009)



BUSINESS REVIEW

Business Strategy:

Both the sector and BAMB face challenges of low productivity of the arable sub-sector which makes local produce less competitive and the unstable market prices resulting in market risks that exacerbate production risks that farmers already face. Since BAMB was set up to provide a market mainly for local producers, its business can only thrive if the arable sub-sector becomes more productive, predictable and competitive. To sustain its business and to continue to deliver on its mandate the thrust of the BAMB strategy is to create an environment conducive to the growth of the arable sector pursued through the following initiatives:



CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

- ◇ Restoring the confidence of farmers to produce by setting producer prices which are fair for both producers and consumers and stabilizing the market prices.
- ◇ Initiating product development to diversify and grow the market for locally grown products.
- ◇ Supplying farmers with information on market demand for different types of crops and providing them with price forecasts which they can use to plan their production as well as to access loans from banks.
- ◇ Contracting farmers to produce certain crops for identified markets at prices agreed to before planting or harvesting, thus insulate farmers against market risks.
- ◇ Supplying inputs such as high performing hybrid seeds, fertilizers and other agro-chemicals needed for improving output at farm level.

The Board also has to contend with operational challenges that affect the delivery of products to consumers. One of these challenges is the market access for grain produced by the Pandamatenga farms which currently supply eighty (80) percent of the sorghum produced in Botswana and is consumed in the main population centres in the south-eastern parts of Botswana. Due to the worsening condition of the road, transporters are reluctant to haul the grain and this is driving up haulage costs. This goes to show that even if grain is abundant, accessibility to consumers is an important factor for national food security. To address this challenge, consideration is being given to increasing the haulage capacity of the Board in the short term and in the long run BAMB aims to diversify its sources by supporting the revival of crop production in parts of Botswana that are more accessible to the main market.

Grain Purchases:

During the 2008/2009 harvesting season BAMB purchased 15,000 Mt of sorghum, 4,000 Mt of maize, 7,000 Mt of sunflower and 108 Mt of pulses/beans locally which is far below the local demand. This was well above previous year's purchases of about 10,335 Mt of scheduled produce which comprised 9,070 Mt of sorghum, 1204 Mt of pulses and groundnuts, 35 Mt of sunflower and 26 Mt of white maize.

To supplement local produce in 2008/2009, BAMB had to import 12,000 Mt of sorghum and 2,926 Mt of sugar beans from South Africa. The quantities imported are a fraction of what the whole industry imported which clearly shows that there is an ample market for these products that still needs to be satisfied.

Producer prices:

The grain market is highly competitive and influenced by supply and demand conditions. When shortages occur in the market, prices rise and conversely they drop when there is excess in the market. As a result market prices constantly fluctuate within a season and may vary widely from one year to another. Botswana being a net importer of grain is exposed to external market conditions since imports directly compete with locally produced grain as local agro-processors/millers are free to import grain if it is cheaper for them to do so. As a result the Botswana Agricultural Marketing Board (BAMB) is forced to set producer (buying) prices at par with imports using the South African Futures Exchange (SAFEX) as a benchmark.

In an effort to stabilize the ever fluctuating commodity prices and build confidence in the local market, BAMB sets producer prices on a monthly rather than daily basis during the harvest period from April to September. In some instances when market conditions permit and local produce is of higher quality than imports, BAMB is able to set buying prices above the market. In addition to these marketing initiatives, the Board has set up a fund to stabilize prices when



CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

price movements become extreme and hurtful to producers and consumers.

Producer prices for 2008/2009 harvesting season, showed an upward movement of 11 to 16 percent for sorghum and maize, but as much as doubled for cowpeas and beans. This movement was largely influenced by low production in 2007/2008, leading to low carryover stocks into 2008/2009. When prices move in favour of producers they become more burdensome for consumers. However the Board felt that the extent of price movement during the reporting period did not call for the use of the stabilization fund. Producer prices for 2007/2008 and 2008/2009 ranged as follows:

PRODUCT	2007/2008 PRICE RANGE (Pula/Mt)	2008/2009 PRICE RANGE (Pula/Mt)
Sorghum	1,400 – 1,420	1,550 - 1,900
Millet	1,400 – 1,500	1,600 - 2,600
Maize(White/Yellow)	1,440 – 1,546	1,700 - 1,800
Sunflower	1,767 – 2,755	1,182 - 3,540
Groundnuts	3,200 – 3,300	5,000 - 7,000
Cowpeas and Beans	2,500 – 3,300	5,000 - 6,800



Supply of Agricultural Inputs:

During the reporting period, about 3,500 Mt of fertilizers and 500 Mt of high performance hybrids seeds were sold to local farmers. The inputs supplied are part of a technology package recommended by the National Master Plan for Arable Agriculture and Dairy Development (NAMPADD) and the Integrated Support Programme for Arable Agriculture Development (ISPAAD) to increase yield per hectare and grain supplies from local sources

Contract Farming:

BAMB has also introduced a contract farming scheme. Under this scheme BAMB identifies a market for a particular crop and contracts farmers to produce it at agreed prices and quantities prior to planting. This helps to minimize their exposure to price risks due to price fluctuations dictated by market conditions. For instance in 2008/2009 ploughing/planting season BAMB signed production contracts for the supply of 18,874 Mt of sorghum, millet and a variety of cowpeas and beans with eighteen (18) farmers in Pandamatenga and eight (8) in the Southern part of the country. In terms of contracted quantities this is an increase of 61% over the previous year, which shows that some farmers are starting to appreciate the advantages of these marketing strategies.

Provision of Market Information:

BAMB also provides farmers with information about market conditions ahead of planting to guide them to plan their production as well as to access financial support from lending institutions such

One of the outcomes of this collaborative work will be a recipe booklet of heart friendly Setswana cuisines, which we believe will spark interest in local products in Botswana and beyond.

Mutton China peas



CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

as CEDA and NDB. Information imparted to farmers includes, crops that the market demands and price forecasts.

Product and Market Development:

During 2008/2009 BAMB embarked on product development and promotion to help grow and diversify the market for locally grown products. Current initiatives involve the re-introduction of products like Mosutlhane (sorghum rice) and Ntlatlawane (sorghum wholegrain meal) which are also said to have health benefits.

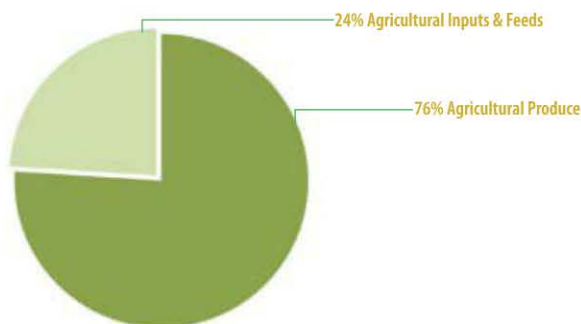
As part of a drive to promote healthy lifestyles through eating wholesome foods, the Board is actively collaborating with the Heart Foundation Botswana (HFB) to promote the consumption of locally grown products. One of the outcomes of this collaborative work will be a recipe booklet of heart friendly Setswana cuisines, which we believe will spark interest in local products in Botswana and beyond. The Board is concurrently searching for niche/export markets for these products and some interest is being expressed in the larger markets in neighbouring countries.

Sunflower is a main crop produced in rotation with sorghum in Pandamatenga. This crop is very costly to transport to processing facilities in South Africa, because of its volume to weight ratio, the distance involved and road condition. BAMB has been making losses on this crop over a number of years, because of a lack of market and processing capability in or near the main production area. Establishing a capability to extract sunflower oil as a marketing strategy is being considered.

SALES SUMMARY

The total sales registered during the reporting period were P129,749,346 and were largely derived from sale of agricultural produce which contributed 76% (P97,997,782) while agricultural inputs contributed 24% (P31,751,558).

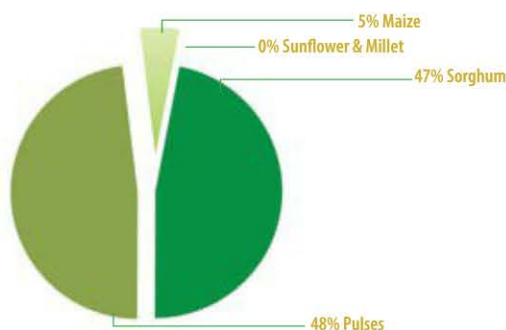
Total Sales of Agricultural Produce & Inputs



Sales of Agricultural Produce/ Grains

Of the total sales of agricultural produce realized this year, pulses contributed about 48% (P46,816,768), followed by sorghum 47% (P46,309,352) and Maize 5% (P4,650,293) while contribution for sunflower and millet were insignificant.

Total Sales of Agricultural Produce



The demand for pulses (cowpeas and beans) is increasing locally and this presents an opportunity for farmers to increase their production and earnings from these high value crops.

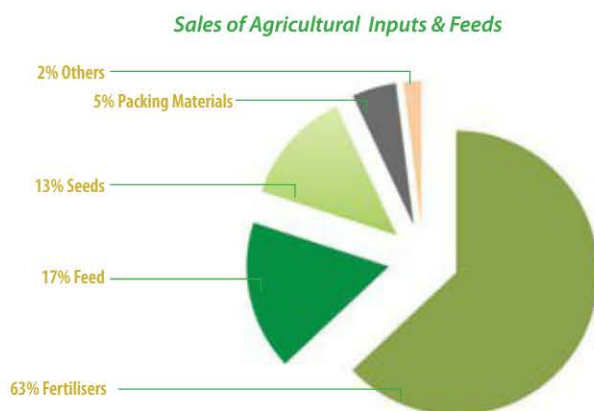
Sales of Agricultural Inputs & Feeds

In the agricultural inputs and feeds category fertilizers contributed about 63% (P20,016,718), feeds 17% (P5,294,000), seeds 13% (P4,223,025)



CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

and packaging materials 5% (P1,574,665) of sales. The demand for fertilizers and seeds were high as compared to previous year mainly because of good rains, adoption of new farming technologies by emerging farmers and the newly introduced ISPAAD.



Corporate Strategic Outlook

The Board has completed the first year of the current Strategic Plan (2008-2011). As already pointed out, the initiatives implemented have begun to show positive results. The Board intends to pursue these objectives and pay particular attention to quality management, and initiate the beneficiation of sunflower by extracting oil and

producing oil cake. The Board will also strengthen collaboration with the National Development Bank, CEDA and other important players to use their synergies to promote the growth of the sector.

Human Resources Management

Staff retention in the reporting year was very good as we recorded zero resignations in a staff complement of 130. The Board has embarked on a revision of the Conditions of Service for Employees in order to make them contemporary to market conditions and to ensure staff development and retention.

During the reporting period the Board was joined by two New Board members Mr. K.N Monthe and Ms T.R Thebe replacing Messrs A. B. Tafa and T.Y Raphaka who retired from the Board.

CORPORATE GOVERNANCE

As a way of enhancing and empowering the Board of Directors and Executive Management, to provide guidance and strategic leadership, training on Corporate Governance was provided. During the reporting period, the Board has met management on a quarterly basis and the Meetings and attendance of the Board were as follows:

The demand for pulses (cowpeas and beans) is increasing locally and this presents an opportunity for farmers to increase their production and earnings from these high value crops.





CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

Board Meetings				
Board Members	26.06.08	28.08.08	30.10.08	26.02.09
L.R Manthe	√	√	√	√
D. Tibe	√	√	√	√
B.A Mpete	√	√	√	√
M.C. Kruger	×	√	√	√
G.E Kalaben	×	√	√	√
K.N Monthe	N/A	×	√	√
T.R Thebe	N/A	√	√	√
M.C Chimbombi	√	√	×	×
T.Y Raphaka	×	N/A	N/A	N/A

The following subcommittees have been established to assist the Board of Directors in furthering its mandate.

FINANCE AND AUDIT COMMITTEE

The Finance and Audit committee assists the Board of Directors to effectively carry out its mandate relating to accounting policies, internal controls, 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 Board.

Finance and Audit Committee				
Board Members	19.06.08	21.08.08	23.10.08	18.02.09
D. Tibe	√	√	√	√
B.A Mpete			×	√
G.E Kalaben	√	√		
M.C. Chimbombi	×	×	√	×





CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

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 procurement guidelines.

Tender Committee		
Board Members	11.06.08	02.12.08
B.A Mpete	✓	
G.E Kalaben	✓	✓
K.N Monthe		✓
T.R Thebe		×
T.Y Raphaka	×	

HUMAN RESOURCE COMMITTEE

This committee sets and oversees the overall human resources practices of the Board including recruitment and appointments of senior management staff. It also sets performance targets and monitors the performance of the Chief Executive Officer.

Human Resource Committee	
Board Members	19.06.08
L.R Manthe	✓
B.A Mpete	✓
M.C Kruger	×

KEY	×	APOLOGIES	✓	PRESENT
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BOTSWANA AGRICULTURAL MARKETING BOARD

Annual financial statements for the year ended March 31, 2009



BOTSWANA AGRICULTURAL MARKETING BOARD

Annual financial statements for the year ended March 31, 2009

GENERAL INFORMATION

Country of incorporation and domicile

Botswana

Nature of business and principal activities

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

Directors

L R Manthe (Chairperson)
D M Tibe (Deputy Chairperson)
K N Monthe
M C Chimbombi
B A Mpete
T Thebe
M C Kruger
G Kalaben
T Y Raphaka (Term ended 01/08/09)

Business address

Private Bag 0053

Gaborone

Botswana

Postal address

Plot No 130, Unit 3 & 4

Nkwe Square, GIFP

Gaborone

Botswana

Bankers

Standard Chartered Bank Botswana Limited

Barclays Bank of Botswana Limited

Auditors

Grant Thornton

Certified Public Accountants

Secretary

B Maifala

Company registration number

0687900

Functional currency

Botswana Pula ("P")



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The reports and statements set out below comprise the annual financial statements presented to the members:

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The following supplementary information does not form part of the annual financial statements and is unaudited:	
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REPORT OF THE INDEPENDENT AUDITORS

To the members of Botswana Agricultural Marketing Board

Report on the Financial Statements

We have audited the accompanying annual financial statements of Botswana Agricultural Marketing Board, as set out on pages 25 to 65, which comprise the balance sheet as at March 31, 2009, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Board's directors are responsible for the preparation and fair presentation of these annual 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 control relevant to the preparation and fair presentation of annual 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual 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 annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual 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 the directors, as well as evaluating the overall presentation of the annual 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 annual financial statements present fairly, in all material respects, the financial position of the Botswana Agricultural Marketing Board as of March 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Botswana Agricultural Marketing Board Act 1974 (CAP 74:06).

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 (annual financial statements) prepared by the Board on a consistent basis with that of previous year except for adoption of new International Financial Reporting Standards; Interpretations and amendments the details of which are stated in note 2 to this financial statements.
- ◇ The Board has complied with the financial provisions of the Botswana Agricultural Marketing Board Act 1974(CAP 74:06) except for compliance of Section 12 (3) in terms of pending approval of National Assembly for increase in Stabilisation Fund effected during the year.

Certified Public Accountants

Date **25 -06- 2009**

Gaborone



DIRECTORS' RESPONSIBILITIES AND APPROVAL

The members of the board are required by the Botswana Agricultural Marketing Board Act 1974 (CAP 74:06), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Board as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

The members of the board are 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 for the year to March 31, 2010 and, in the light of this review and the current financial position, they are satisfied that the Board has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 22.

The annual financial statements set out on pages 25 to 67, which have been prepared on the going concern basis, were approved by the members of the board on **25 -06- 2009** and were signed on its behalf by:

Chairperson
Gaborone

Gaborone



BALANCE SHEET

Figures in Pula	Note(s)	2009 P	2008 P
Assets			
Non-Current Assets			
Property, plant and equipment	4	26 925 328	27 631 472
Current Assets			
Inventories	6	50 548 648	18 727 693
Trade and other receivables	7	29 614 160	4 327 514
Cash and cash equivalents	8	14 602 696	7 764 657
		94 765 504	30 819 864
Total Assets		121 690 832	58 451 336
Equity and Liabilities			
Equity			
Government equity	9	27 455 061	27 455 061
Reserves		27 778 584	20 485 273
Retained income		7 527 997	(5 911 904)
		62 761 642	42 028 430
Liabilities			
Non-Current Liabilities			
Finance lease obligation	15	-	97 122
Current Liabilities			
Other financial liabilities		-	226 406
Finance lease obligation	15	91 911	442 150
Trade and other payables	18	31 584 273	7 989 693
Deferred income	16	9 769 265	1 441 517
Dividend payable	17	2 192 411	-
Bank overdraft	8	15 291 330	6 226 018
		58 929 190	16 325 784
Total Liabilities		58 929 190	16 422 906
Total Equity and Liabilities		121 690 832	58 451 336



INCOME STATEMENT

Figures in Pula

	Note(s)	2009 P	2008 P
Revenue	20	139 523 726	92 454 968
Cost of sales	21	(105 527 240)	(69 782 366)
Gross profit		33 996 486	22 672 602
Other income		2 263 009	2 781 993
Operating expenses		(21 387 552)	(16 231 927)
Operating profit	22	14 871 943	9 222 668
Finance income	23	1 606 503	437 478
Finance costs	24	(1 796 897)	(6 133 590)
Profit for the year		14 681 549	3 526 556



STATEMENT OF CHANGES IN EQUITY

	Government Equity		Hedging reserve		Revaluation reserve		Stabilisation Fund		Development Fund		Total funds and reserves		Retained earnings		Total equity	
	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Figures in Pula																
Balance at March 31, 2007	27 455 061	-	19 231 449	-	-	-	-	-	-	-	19 231 449	-	(9 958 230)	-	36 728 280	-
Changes in equity																
Amortisation of revaluation reserve	-	-	(519 770)	-	-	-	-	-	-	-	(519 770)	-	519 770	-	-	-
Funds received from government	-	-	-	-	1 000 000	-	1 000 000	-	1 000 000	-	2 000 000	-	-	-	2 000 000	-
Forward exchange contract	-	(226 406)	-	-	-	-	-	-	-	-	(226 406)	-	-	-	(226 406)	-
Net income (expenses)	-	(226 406)	(519 770)	-	-	-	1 000 000	-	1 000 000	-	1 253 824	-	519 770	-	1 773 594	-
recognised directly in equity																
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	3 526 556	-	3 526 556	-
Total recognised income and expenses for the year	-	(226 406)	(519 770)	-	-	-	1 000 000	-	1 000 000	-	1 253 824	-	4 046 326	-	5 300 150	-
Total changes	-	(226 406)	(519 770)	-	-	-	1 000 000	-	1 000 000	-	1 253 824	-	4 046 326	-	5 300 150	-
Balance at March 31, 2008	27 455 061	(226 406)	18 711 679	-	-	-	1 000 000	-	1 000 000	-	20 485 273	-	(5 911 904)	-	42 028 430	-
Changes in equity																
Amortisation of revaluation reserve	-	-	(455 408)	-	-	-	-	-	-	-	(455 408)	-	455 408	-	-	-
Transfer to retained earnings on disposal	-	-	(495 355)	-	-	-	-	-	-	-	(495 355)	-	495 355	-	-	-
Funds received from government	-	-	-	-	8 017 668	-	8 017 668	-	-	-	8 017 668	-	-	-	8 017 668	-
Cash flow hedges	-	226 406	-	-	-	-	-	-	-	-	226 406	-	-	-	226 406	-
* Reclassification adjustment																
Net income (expenses) recognised directly in equity	-	226 406	(950 763)	-	-	-	8 017 668	-	-	-	7 293 311	-	950 763	-	8 244 074	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	14 681 549	-	14 681 549	-
Total recognised income and expenses for the year	-	226 406	(950 763)	-	-	-	8 017 668	-	-	-	7 293 311	-	15 632 312	-	22 925 623	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(2 192 411)	-	(2 192 411)	-
Total changes	-	226 406	(950 763)	-	-	-	8 017 668	-	-	-	7 293 311	-	13 439 901	-	20 733 212	-
Balance at March 31, 2009	27 455 061	-	17 760 916	-	-	-	9 017 668	-	1 000 000	-	27 778 584	-	7 527 997	-	62 761 642	-
Note(s)	9	11	12	13	14											



CASH FLOW STATEMENT

Figures in Pula

Cash flows from operating activities

Cash (used in) generated from operations

Interest income

Finance costs

Net cash from operating activities

Cash flows from investing activities

Purchase of property, plant and equipment

Sale of property, plant and equipment

Net cash from investing activities

Cash flows from financing activities

Repayment of other financial liabilities

Finance lease payments

Stabilisation and development grants received

Other non-cash item

Net cash from financing activities

Total cash movement for the year

Cash and cash equivalents at the beginning of the year

Total cash and cash equivalents at end of the year

Note(s)	2009 P	2008 P
26	(8 435 162)	36 382 940
	1 606 503	437 478
	(1 742 217)	(6 024 602)
	(8 570 876)	30 795 816
4	(1 485 474)	(610 561)
4	313 450	-
	(1 172 024)	(610 561)
	(226 406)	226 406
	(502 041)	(688 461)
	8 017 668	2 000 000
	226 406	(226 406)
	7 515 627	1 311 539
	(2 227 273)	31 496 794
	1 538 639	(29 958 155)
8	(688 634)	1 538 639



ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and considering the requirements of the Botswana Agricultural Marketing Board Act 1974 (CAP 74:06). The annual financial statements have been prepared on the historical cost basis, except for the measurement of property, plant and equipment and certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

1.1 Significant judgements

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

Trade Receivables

The Board assesses its trade receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the Board makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios.

Allowance for slow moving, damaged and obsolete inventory

An allowance is raised for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell to ascertain the net realisable value on certain inventory items. The write down is included in the cost of sales note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Board for similar financial instruments.

The fair value of forward exchange contracts is determined using quoted forward exchange rates at the balance sheet date.



ACCOUNTING POLICIES

1.1 Significant judgements (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful life and residual value of property, plant and equipment

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

Contingent liabilities

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

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- ◇ it is probable that future economic benefits associated with the item will flow to the Board; and
- ◇ the cost of the item can be measured reliably.



ACCOUNTING POLICIES

1.2 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for the buildings which are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Any increase in the buildings' carrying amount, as a result of a revaluation, is credited directly to equity in the revaluation reserve. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Any decrease in the buildings' carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The amount credited to revaluation reserve account is amortised on a yearly basis and directly credited to accumulated surplus (deficit). The amortised amount is the difference between depreciation based on the revalued amount and the depreciation based on original costs. Depreciation is calculated on a straight line basis so as to write off the cost or revalued amount of each asset over its expected useful life to its residual value. The following expected useful lives are used in calculation of depreciation.

Item	Average useful life
Land	Indefinite
Buildings	40 years
Equipment	3 - 5 years
Plant and machinery	5 years
Motor vehicles	3 - 5 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Consumable items and loose tools are written off in the year of purchase.



ACCOUNTING POLICIES

1.2 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Financial instruments

Initial recognition

The Board classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the Board's balance sheet when the Board becomes party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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



ACCOUNTING POLICIES

1.3 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value

Bank overdraft and borrowings

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

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Hedging activities

The Board designates certain derivatives as either:

- ◊ hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- ◊ hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Board documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Board also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other income'.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.



ACCOUNTING POLICIES

1.3 Financial instruments (continued)

The deferred amounts are ultimately recognised in cost of goods sold in case of inventory or in depreciation in case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other income'.

1.4 Tax

Tax expenses

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

1.5 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 – lessee

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.



ACCOUNTING POLICIES

1.3 Financial instruments (continued)

Operating leases - lessor

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

Income for leases is disclosed under revenue in the income statement.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. There are no provision in the agreement for payment of contingent rents.

1.6 Inventories

Inventories are measured at the lower of cost and net realisable value on the weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

1.7 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, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

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



ACCOUNTING POLICIES

1.7 Impairment of assets (continued)

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the income statement. 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 may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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

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

1.8 Government equity

Government equity comprises of equity capital and callable capital. Equity capital is recorded at the value at which the loan and other payables to Government was converted on 14 September 2000 based on the Presidential Directive CAB30/2000. Callable capital recorded at the proceeds received.

1.9 Stabilisation fund

The stabilisation fund represents the fund established by Board in terms of Section 12 of the Botswana Agricultural Marketing Board Act 1974 (CAP: 74:06) and the amount represents the amount allocated by the Government and any amounts set aside by the Board from time to time. The amount credited in stabilisation fund would be utilised to stabilize the prices paid for the scheduled produce; to meet any deficiency created by way of excess of expenditure over the revenues for each of the financial years or for such other purpose as approved by the Minister responsible for Agriculture and Minister responsible for finance.

1.10 Development fund

The development fund represents the fund established by Board in terms of Section 13 of the Botswana Agricultural Marketing Board Act 1974 (CAP: 74:06) and the amount represents the amount allocated by the Government and any amounts set aside by the Board not exceeding an amount equivalent to two times of the tonnage of schedule produce handled by the Board in each of the financial years. The amount credited in development fund would be utilised to meet any deficiency created by way of excess of expenditure over the revenues for each of the financial years or for various development programmes approved by the Minister responsible for Agriculture.



ACCOUNTING POLICIES

1.11 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 vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

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

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to balance sheet date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the income statement over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.



ACCOUNTING POLICIES

1.12 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.13 Government grants / Deferred income

Government grants are recognised when there is reasonable assurance that:

- ◇ the Board will comply with the conditions attaching to them; and
- ◇ the grants will be received.

Government grants (including grants given to meet major repair expenses) are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant (including subsidy) that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable and it is set off against the expenses to which it was intended to compensate.

Government grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the income statement under the heading 'revenue'.

Government grants related to specific project are presented in the balance sheet by setting up the grant as deferred income. The amount credited in the deferred income is transferred to income statement to match the cost relating to specific project to which grant relates to.

Repayment of a grant related to income is applied first against any deferred income credit set up in respect of the grant.



ACCOUNTING POLICIES

1.13 Government grants / Deferred income (continued)

To the extent that the repayment exceeds any such deferred income credit, or where no deferred income credit exists, the repayment is recognised immediately as an expense.

1.14 Revenue

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

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

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- ◊ the amount of revenue can be measured reliably;
- ◊ it is probable that the economic benefits associated with the transaction will flow to the Board;
- ◊ the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- ◊ the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in profit or loss, using the effective interest rate method.

Service fees including maintenance fees for the strategic grain reserve, if any, are recognised as revenue over the period during which the service is performed.

Government grants are recognised when there is reasonable assurance that the Board will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised as income as per accounting policy note 1.13 above.



ACCOUNTING POLICIES

1.15 Cost of sales

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

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

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- ◇ Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- ◇ Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- ◇ expenditures for the asset have occurred;
- ◇ borrowing costs have been incurred, and
- ◇ activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.17 Translation of foreign currencies

Foreign currency transactions

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

At each balance sheet date:

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

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

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Adoption of new and revised standards

In the current year the Company adopted the following new or revised IFRS, IFRIC interpretation etc which are relevant to its operation.

- ◇ IFRIC 12: Service concession arrangements (effective 01/01/2008)
- ◇ IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 01/01/ 2008)
- ◇ IFRIC 16: Hedges of a net investments in a foreign operation (effective 01/10/2008)
- ◇ IAS 39 and IFRS 7: Reclassification of Financial Assets - Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective 01/07/ 2008) - Except for reclassification effected after 01/11/ 2008, which will be effective from 01/11/2008.

IFRIC 12: Service concession arrangement

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Board is not an operator and hence this Interpretation will have no impact on the Board.

IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The Board expects that this Interpretation will have no impact on its financial statements as the defined benefit plan is being converted to a defined contribution plan.

IFRIC 16: Hedges of a net investments in a foreign operation

This interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. This interpretation will not be applicable for the Board as it does not have any foreign operation.

IAS 39 and IFRS 7: Reclassification of Financial Assets - Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

The Amendments permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances; to transfer from the available for sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if it had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Adoption of new and revised standards (continued)

Additional disclosure requirements have been included in IFRS 7 to provide information to readers of the accounts where an entity opts to reclassify financial assets under Amendments to IAS 39.

3. Adoption of new and revised standards (Future periods)

Certain revisions in standards, amendments and interpretations to existing standards have been published that are mandatory for the Board's accounting periods beginning on or after April 2009 or later periods as follows:

- ◊ IAS 23 R: Borrowing costs (effective 01/01/2009)
- ◊ IAS 1R: Presentation of Financial Statements (Revised) (effective 01/01/2009)
- ◊ IFRS 8: Operating Segments: disclosures (effective 01/01/2009)
- ◊ IFRIC 13: Customer loyalty programmes (effective 01/07/2008)
- ◊ IFRIC 15: Agreement for construction of real estate (effective 01/01/2009)
- ◊ IFRS 2: Amendment to Share-based Payments – Vesting Conditions and Cancellations (effective 01/01/2009)
- ◊ IFRIC 17: Distribution of non-cash assets to owners (effective 01/07/2009)
- ◊ IFRS 3R & IAS27R: Business combinations and Consolidated and Separate Financial Statements (effective 01/07/2009)
- ◊ IAS1 & IAS 32: Puttable financial instruments and obligations arising on liquidation (effective 01/01/2009)
- ◊ IAS 39 - Amendments to IAS 39 Financial Instruments : Recognition and Measurement : Eligible hedged items (effective 01/07/2009)
- ◊ IFRS 1 and IAS 27: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 01/01/2009)
- ◊ IFRS 1R : Revised IFRS 1 First time adoption of International Financial Reporting Standards (effective 01/07/2009)
- ◊ IFRIC 18: Transfer of assets from customers (effective 01/07/2009)
- ◊ Embedded derivatives – Amendments to IFRS 9 and IAS 39 (effective 01/06/2009)
- ◊ Annual improvement projects: Improvements to IFRS - 2008 (effective 01/01/2009)
- ◊ IFRS 7: Improving Disclosures about Financial Instruments (Amendments to IFRS 7) (effective 01/01/2009)
- ◊ Annual improvement projects: Improvements to IFRS - 2009 (effective 01/01/2010)

IAS 23 R: Borrowing costs

The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This standard will not apply to the Board as it followed the practice of capitalising borrowing costs as stated in the accounting policy relating to borrowing costs.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Adoption of new and revised standards (Future periods) (continued)

IAS 1R: Presentation of Financial Statements (Revised)

The revised IAS 1 affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of comprehensive income). This revision does not affect the financial position or results of the Board but will give rise to additional disclosures. The management is currently assessing the detailed impact of this revision on the Board's financial statements.

IFRS 8: Operating segments: disclosures

This Standard requires disclosure of information about the Board's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of a Board. Further, this standard will not apply to the Board as the Board is not a listed and its debt or equity instrument are traded in a public market.

IFRIC 13: Customer loyalty programmes

This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Board expects that this interpretation will have no impact on the Board's financial statements as no such schemes currently exist.

IFRIC 15: Agreement for construction of real estate

This Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Board expects that this Interpretation will have no impact on the Board's financial statements as it is not involved any of the activities covered in interpretation.

IFRS 2: Amendment to Share-based Payments – Vesting Conditions and Cancellations

The amendment restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Board has not entered into share-based payment schemes hence this standard will have no impact on the Board.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Adoption of new and revised standards (Future periods) (continued)

IFRIC 17: Distribution of non-cash assets to owners

This Interpretation applies to distribution of assets like, distribution of non-cash assets (e.g. property, plant and equipment, ownership interests in another entity etc) and distribution that gives owners a choice of receiving either noncash assets or cash alternatives, effected by an entity to its owners acting in their capacity as owners. This interpretation will have no impact as the Board was set up under an Act of Parliament with no shareholder.

IFRS 3R & IAS27R: Business combinations and Consolidated and Separate Financial Statements

IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Board expects that this interpretation will have no impact on the Board's financial statements as the Board has not undertaken any transactions falling within the definition of a business combination.

IAS1 & IAS 32: Puttable financial instruments and obligations arising on liquidation

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The amendments will not have an impact the financial statements of the Board.

IAS 39: Amendments to IAS 39 Financial Instruments : Recognition and Measurement : Eligible hedged items

The amendment aims to clarify the application of some of IAS 39's requirements on designation of a risk or a portion of cash flows for hedge accounting purposes. The Board expects that this amendment will have no impact on the Board's financial statements.

IFRS 1 and IAS 27 : Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

The amendments affect only the separate financial statements of a parent entity or investor. The main changes are in respect of introduction of a 'deemed cost' exemption into IFRS 1 for first-time adopters of IFRS when measuring, identification of the cost of an investment in a subsidiary, jointly controlled entity or associate; the removal of IAS 27's requirement to deduct pre-acquisition dividends from the cost of an investment in subsidiary, jointly controlled entity or associate in profit or loss in the separate financial statements of the investor entity; and new requirements on accounting for the formation of a new parent. This amendment will not apply to the Board as it does not have any subsidiaries.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Adoption of new and revised standards (Future periods) (continued)

Annual improvement projects: Improvements to IFRS - 2009

The annual improvement project makes amendments to various IFRS which are non-urgent but are necessary. Most of the amendments are required to be applied from 1 January 2010. The management is currently assessing the detailed impact of these amendments/ revision on the Board's financial statements.

IFRS 1R : Revised IFRS 1 First time adoption of International Financial Reporting Standards

The main change relates to the text dealing with the various exceptions and exemptions to the principle that an entity's opening IFRS statement of financial position shall comply with each IFRS. This text has been removed from the main body of the Standard and placed in the Appendices to the Standard. This revision will not apply to the Board as the Board adopted IFRS in the past.

IFRIC 18: Transfer of assets from customers

This interpretation applies to the recipient of a transfer of property, plant and equipment from a customer where the item received must be used to connect the customer to a network and/or provide ongoing access to a supply of goods or services. This interpretation is not likely to apply to the Board as it is not involved in the activity referred in this interpretation.

IAS 39 and IFRIC 9 - amendment: Embedded derivatives – Amendments to IFRIC 9 and IAS 39

The Amendment is consequential upon the changes made to IAS 39 in October and November 2008 permitting the reclassification of non-derivative financial assets out of the fair value through profit or loss category in some circumstances. The management is currently assessing the detailed impact of this amendment on the Board's financial statements.

Annual improvement projects: Improvements to IFRS - 2008

The annual improvements process has been developed to address non-urgent, but necessary, minor amendments to IFRSs. Issues dealt with in this process arise from matters raised by the International Financial Reporting Interpretations Committee (IFRIC) and suggestions from staff or practitioners, and focus on areas of inconsistency in IFRSs or where clarification of wording is required. Most of the amendments are required to be applied from 1 January 2009, but some have an effective date of 1 July 2009. The management is currently assessing the detailed impact of these amendments revision on the Board's financial statements.

IFRS 7: Improving Disclosures about Financial Instruments (Amendments to IFRS 7)

Amendments to IFRS 7 are to explain more clearly how entities determine the fair value of their financial instruments; and improve the disclosure of liquidity risk.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	2 238 000	-	2 238 000	2 238 000	-	2 238 000
Buildings	26 426 502	(4 273 891)	22 152 611	26 605 859	(3 700 230)	22 905 629
Plant and machinery	4 816 773	(3 173 434)	1 643 339	3 953 210	(2 684 050)	1 269 160
Furniture and fixtures	848 941	(474 388)	374 553	825 411	(340 447)	484 964
Motor vehicles	2 682 441	(2 165 616)	516 825	2 583 630	(1 849 911)	733 719
Total	37 012 657	(10 087 329)	26 925 328	36 206 110	(8 574 638)	27 631 472

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	2 238 000	-	-	-	2 238 000
Buildings	22 905 629	410 643	(495 354)	(668 307)	22 152 611
Plant and machinery	1 269 160	863 563	-	(489 384)	1 643 339
Furniture and fixtures	484 964	23 530	-	(133 941)	374 553
Motor vehicles	733 719	187 738	(20 122)	(384 510)	516 825
	27 631 472	1 485 474	(515 476)	(1 676 142)	26 925 328

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Depreciation	Total
Land	2 238 000	-	-	2 238 000
Buildings	23 486 540	88 892	(669 803)	22 905 629
Plant and machinery	1 092 726	487 860	(311 426)	1 269 160
Furniture and fixtures	589 885	33 809	(138 730)	484 964
Motor vehicles	1 107 476	-	(373 757)	733 719
	28 514 627	610 561	(1 493 716)	27 631 472



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009	2008
	P	P

Figures in Pula

4. Property, plant and equipment (continued)

Pledged as security

Carrying value of assets pledged as security:

Motor vehicles	205 000	428 325
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Property, plant and equipment finance lease obligations are detailed in Note 15

The company's assets have been pledged as security towards banking facilities obtained as detailed in Note 8

Revaluations

The effective date of the revaluations was 26 March, 2004. Revaluations were performed by Mr. M R Ramoroka, BSc, MRICS, MIVSA of C B Richard Ellis, professional property valuers and are not connected to the Board.

Land and buildings are re-valued independently every 4-5 years and last valuation was for P 28 240 000 and was based on open market value.

5. Financial assets by category

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

	2009	
	Loans and receivables	Total
Trade and other receivables	29 614 160	29 614 160
Cash and cash equivalents	14 501 307	14 501 307
	44 115 467	44 115 467

	2008	
	Loans and receivables	Total
Trade and other receivables	4 327 514	4 327 514
Cash and cash equivalents	7 764 567	7 764 567
	12 092 081	12 092 081



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula		2009 P	2008 P
6. Inventories			
Merchandise		50 548 648	18 727 693
<p>The Board maintains Strategic Grains Reserves (SGR) on behalf of the Government of Botswana. The values of these inventories are excluded from the year end inventory value recorded in the books of the Board.</p> <p>Inventory pledged as security</p> <p>Inventories are pledged as security for the Board's overdraft limits. The current year the overdraft limit was set at P 20 million with outstanding as at the balance sheet date at P 15 189 941. However during the previous year, the overdraft limit was including an overdraft facility in South African Rands, the combined limits of which was to the tune of P 49.13 million and outstanding in Botswana Pula terms was P 6.23 million.</p>			
7. Trade and other receivables			
Trade receivables		28 174 036	3 845 440
Employee advances		285 608	378 132
Value Added Tax		1 101 683	-
Other receivables		52 833	103 942
		29 614 160	4 327 514

Fair value of trade and other receivables

Trade and other receivables	29 614 160	4 327 514
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Impairment provisions are made based on review of individual debtors current credit situation, past performance and other factors and where required, appropriate provisions are raised for impairments.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired unless there is a specific debtor under certain circumstances. At March 31, 2009, P 10 110 212 (2008: P 1 596 960) were past due but not impaired.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula		2009 P	2008 P
7.	Trade and other receivables (continued)		
	Trade and other receivables past due but not impaired (continued)		
The ageing of amounts past due but not impaired is as follows:			
	1 month past due	4 346 229	104 573
	2 months past due	5 309 095	42 388
	3 months past due	71 615	1 449 999
	More than 3 months past due	383 273	-
	Trade and other receivables impaired		
As of March 31, 2009, trade and other receivables of P 1 213 893 (2008: P 3 776 873) were either fully impaired or partly impaired and provided for.			
The amount of the provision was P 1 213 893 as of March 31, 2009 (2008: P 3 262 176).			
The ageing of these loans is as follows:			
	1 to 3 months	132 546	361 325
	Over 3 months	1 081 347	3 415 548
	Reconciliation of provision for impairment of trade and other receivables		
	Opening balance	3 262 176	1 056 253
	Provision for impairment	777 057	2 482 223
	Amounts written off as uncollectible	(2 825 340)	(276 300)
		1 213 893	3 262 176

The creation and release of provision for impaired receivables have been included in finance cost in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The Board does not hold any collateral as tangible security.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula	2009	2008
	P	P
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	91 988	83 734
Bank balances	-	2 231 555
Short-term deposits	14 510 708	5 449 368
Bank overdraft	(15 291 330)	(6 226 018)
	(688 634)	1 538 639
Current assets	14 602 696	7 764 657
Current liabilities	(15 291 330)	(6 226 018)
	(688 634)	1 538 639

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

Botswana Pula Overdraft facility of P 20 million is to be utilised for general working capital requirements; repayable on demand; carries an interest rate at Bank's prime lending rate less 2.65% per annum.

Botswana Pula lease facility of P 4 million to be utilised for acquisition of motor vehicles; with a maximum lease period of 5 years; carries an interest rate of Bank's prime lending rate less 2% per annum and secured by assets financed out of these facilities.

United States Dollars letter of credit facility limit of USD 2 million to be utilised for securing various letters of credits for duration not exceeding 180 days from the date of issue. The fees for issuance of letter of credit will be based on 0.5% of value of letters of credit issued.

Botswana Pula guarantee facility limit of P 11 million is to be utilised for issuance of various guarantees infavour of Government of Botswana and fees for this facility will be based on 1% of the value of the guarantee issued.

Forward foreign exchange contract facility for Foreign currency settlement limit for the Board's day to day foreign currency requirements secured at rates negotiated by financial markets.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula		2009 P	2008 P
8.	Cash and cash equivalents (continued)		
	Credit quality of cash at bank and short term deposits, excluding cash on hand		
	The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired and are placed with reputed financial institutions which are registered in Botswana. The Board's bankers in Botswana are not rated but each of these banks are subsidiaries of major South African or United Kingdom registered institutions.		
9.	Government equity		
	Equity capital	26 455 061	26 455 061
	Recallable capital	1 000 000	1 000 000
		27 455 061	27 455 061
	The Government equity represents the amount converted from the short term loan and long term loan as per Presidential Directive (CAB 30/2000 dated 14 September 2000).		
10.	Capital disclosures		
	The Board's objective when maintaining capital and accumulated surplus is to safeguard the ability to continue as a going concern, so that it can provide services to its customers by pricing their products appropriately. The capital structure of the Board consists of Government equity, recallable capital and accumulated surplus as disclosed in the statement of changes in equity. There are no externally imposed capital requirements applicable to the Board. In order to maintain or adjust capital structure, whenever required, the Board may adjust the pricing of its products or secure grant/capital from the Government. During the year ended 31 March 2009, the Board's strategy of managing capital has remained unchanged from the year ended 31 March 2008.		
11.	Hedging reserve		
	Hedge reserve arising on account of un-expired portion of foreign exchange forward contracts outstanding at the balance sheet date, which are held for cash flow hedge. The contracts are evaluated using appropriate rates and the strike rates. The amount credited in the hedge reserve will be transferred to income statement upon honouring of the commitments under the contract.		
	At the beginning of the year	(226 406)	-
	Reclassification adjustment	226 406	(226 406)
		-	(226 406)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009	2008
Figures in Pula	P	P

12. Revaluation reserve

Revaluation surplus representing the difference between carrying value and open market value of the properties credited directly to the revaluation reserve and amortised on a yearly basis directly to accumulated surplus (deficit) to the extent of difference between depreciation based on revalued amount and depreciation based on original costs.

At the beginning of the year	18 711 679	19 231 449
Amortised during the year	(455 408)	(519 770)
Transferred on disposal	(495 355)	-
	17 760 916	18 711 679

13. Stabilisation fund

The stabilisation fund represents the fund established by the Board in terms of Section 12 of the Botswana Agricultural Marketing Board Act 1974 (CAP: 74:06). This fund is created with the amount allocated by the Government and/or any amounts set aside by the Board from time to time. As per the provisions of Section 12, the maximum amount of stabilisation fund shall not exceed such amount as approved by the Government time to time, which is currently P 9 017 688. The amount credited in stabilisation fund would be utilised to stabilise the prices paid for the scheduled produce; to meet any deficiency created by way of excess of expenditure over the revenues for each of the financial years or for such other purpose as approved by the Minister responsible for Agriculture and Minister responsible for finance. During the year the Government of Botswana paid an additional P 8 017 668 towards this fund.

At the beginning of the year	1 000 000	-
Received during the year from Government of Botswana	8 017 668	1 000 000
	9 017 668	1 000 000

14. Development fund

The development fund represents the fund established by Board in terms of Section 13 of the Botswana Agricultural Marketing Board Act 1974 (CAP: 74:06). This fund is created with the amount allocated by the Government and/or any amounts set aside by the Board from time to time not exceeding an amount equivalent to two times of the tonnage of schedule produce handled by the Board in each of the financial years. The amount credited in development fund would be utilised to meet any deficiency created by way of excess of expenditure over the revenues for each of the financial years or for various development programmes approved by the Minister responsible for Agriculture.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula	2009 P	2008 P
14. Development fund (continued)		
At the beginning of the year	1 000 000	-
Received during the year from Government of Botswana	-	1 000 000
	1 000 000	1 000 000
15. Finance lease obligation		
Minimum lease payments due		
- within one year	99 604	488 881
- in second to fifth year inclusive	-	99 604
	99 604	588 485
less: future finance charges	(7 693)	(49 213)
Present value of minimum lease payments	91 911	539 272
Present value of minimum lease payments due		
- within one year	91 911	442 150
- in second to fifth year inclusive	-	97 122
	91 911	539 272
Non-current liabilities	-	97 122
Current liabilities	91 911	442 150
	91 911	539 272

It is Board's policy to lease some of its motor vehicles under under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 2% below prime rate. (2008: 2% below prime rate).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for payment of contingent rent.

The Board's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula	2009	2008
	P	P
16. Deferred income		
Deferred income mainly relates to unexpended balance of grants received from the Government of Botswana for the refurbishment of storage facilities.		
Opening balance	1 441 517	-
Received during the year	9 000 000	2 000 000
Utilised during the year	(672 252)	(558 483)
	9 769 265	1 441 517
17. Dividend payable		
Under the presidential directive Cab 40/2004, each parastatal which is not subject to tax on its profits is required to pay 25% of its annual profits as dividend to the Government. The Board have made a provision of P 2 192 411 as dividend to the Government of Botswana.		
18. Trade and other payables		
Trade payables	27 974 596	4 772 915
Value Added Tax	-	282 132
Payroll accruals	3 516 289	2 642 497
Deposits received	-	288 450
Other payables	93 388	3 699
	31 584 273	7 989 693



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula		2009 P	2008 P
19. Financial liabilities by category			
The accounting policies for financial instruments have been applied to the line items below:			
2009			
	Financial liabilities at amortised cost	Total	
Finance lease obligation	91 911	91 911	
Trade and other payables	31 584 273	31 584 273	
Bank overdraft	15 189 941	15 189 941	
	46 866 125	46 866 125	
2008			
	Financial liabilities at amortised cost	Total	
Finance lease obligation	539 272	539 272	
Trade and other payables	7 989 693	7 989 693	
Bank overdraft	6 226 018	6 226 018	
	14 754 983	14 754 983	
20. Revenue			
Sale of goods	129 749 346	88 577 214	
Strategic Grain Reserve management fees	9 774 380	3 877 754	
	139 523 726	92 454 968	



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula		2009	2008
		P	P
21. Cost of sales			
Sale of goods			
Cost of goods sold	103 111 336	65 020 114	
Packaging material	68 859	39 141	
Inventory losses and allowances	486 370	1 692 790	
Transport subsidy received from Ministry of Agriculture	(5 544 046)	(2 410 845)	
Distribution costs	7 414 907	5 442 154	
Discounts received	(10 186)	(988)	
	105 527 240	69 782 366	
22. Operating profit			
Profit or loss for the period is stated after accounting for the following:			
Remuneration, other than to employees, for:			
Board members' sitting fees and expenses	46 377	46 999	
Operating lease charges			
Premises			
◊ Contractual amounts	30 522	50 424	
Loss on sale of property, plant and equipment	202 026	-	
Amortisation of government grants	(672 252)	(558 483)	
Rental income	(1 356 521)	(1 346 596)	
Travelling and accommodation	853 138	501 692	



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula	2009 P	2008 P
22. Operating profit (continued)		
Repairs	673 491	611 253
Motor vehicle expenses	978 266	681 408
Insurance	599 691	635 784
Depreciation on property, plant and equipment	1 676 141	1 493 717
Employee costs	11 916 401	8 926 080
Security	1 135 631	817 079
Included in the Employee costs an amount of P651 414 (2008: P 441 013) towards contribution to the defined benefit pension fund. All employees other than the management and industrial class employees are members of the Board's pension fund, wherein the Board and employee contributes 11.29% and 4% respectively. The Board also pays an allowance to the extent of employee's contribution.		
23. Finance income		
Interest revenue		
Bank interest	1 530 362	350 150
Interest charged on trade and other receivables	67 346	68 663
Loans to employees	8 795	18 665
	1 606 503	437 478
24. Finance costs		
Finance leases	54 680	108 988
Bank interest	965 160	3 471 074
Impairment of trade and other receivables	777 057	2 482 223
Other interest	-	71 305
	1 796 897	6 133 590



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula		2009 P	2008 P
25. Auditors' remuneration			
Audit fees		105 000	105 000
Disbursements		8 400	17 220
		113 400	122 220
26. Cash (used in) generated from operations			
Profit before taxation		14 681 549	3 526 556
Adjustments for:			
Depreciation and amortisation		1 676 141	1 493 717
Loss on sale of assets		202 026	-
Foreign exchange gains		(146 947)	(174 772)
Finance income		(1 606 503)	(437 478)
Finance costs		1 796 897	6 133 590
Changes in working capital:			
Inventories		(31 820 955)	16 990 330
Trade and other receivables		(25 286 645)	4 216 935
Trade and other payables		23 741 527	3 192 545
Deferred income		8 327 748	1 441 517
		(8 435 162)	36 382 940

27. Commitments

Authorised capital expenditure

Not yet contracted for and authorised by members of the board	4 623 080	4 079 900
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This committed expenditure relates to property and equipment and will be financed by available bank facilities, accumulated surplus, existing cash resources, funds internally generated, etc.

Operating leases – as lessor (income)

Certain of the Board's properties are partly held generate rental income. Lease agreements are non-non-cancelable and have terms from 2 to 5 years. There are no contingent rents receivable as per the lease agreements.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula		2009 P	2008 P
28. Contingencies			
<p>The Board has an uncommitted facility in place with its bankers, Standard Chartered Bank Botswana Limited to issue guarantees/ letters of credit whenever is required in the normal course of its business. The total guarantees outstanding as at the balance sheet date is P 7 594 808 (2008: P 5 189 098).</p> <p>The Board initiated a legal suit against on the supplier for non payment of debt to the tune of P 1.33 million. In response to this legal suit, the customer for put in a counter suit on Board for non execution of the contract and claimed an amount of P 2.14 million. The Board's management consider the likelihood of the action against the company being successful as unlikely.</p>			
29. Related parties			
Relationships			
Owner with significant influence	Government of Botswana		
Members of the board	Refer to general information page		
Members of key management	M Mphathi (Chief Executive Officer)		
	E Ncaagae		
	L Makubate		
	B Maifala		
	J Proctor		
	Z Ziga		
Related party balances			
Amounts included in trade receivables regarding related parties			
Department of Crop Production	2 655 372	-	
Department of Local Government Finance and Procurement	22 683 306	801 259	
Ministry of Agriculture	1 273 979	-	
Amounts included in Trade Payable regarding related parties			
Government of Botswana - Strategic grain Reserve	25 578 730	-	



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula		2009 P	2008 P
29. Related parties (continued)			
Related party transactions			
Purchases from related parties			
Government of Botswana - Strategic Grain Reserve		23 936 880	-
Board member fees and expenses			
Sitting fees and expenses		46 377	46 999
Grants and fees received from government of Botswana			
Strategic Grain Reserve management fees		9 774 380	3 877 754
Transport subsidy - Ministry of Agriculture		5 544 046	2 410 845
Grants utilised on repairs of storage facilities		672 252	588 483
Stabilisation fund receipt		8 017 668	1 000 000
Development fund receipt		-	1 000 000
Grants received and shown as deferred income		9 769 265	1 441 517
Sales to related parties			
Department of Crop Production		17 435 818	-
Department of Local Government Finance and Procurement		49 363 548	21 862 536
Compensation to key management personnel			
Short term employee benefits		2 068 791	1 781 350
Gratuity and leave pay		703 484	663 701

30. Risk management

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

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic and seasonal nature of the underlying businesses, Board's finance department maintains flexibility in funding by maintaining availability under committed credit facilities.

The Board's risk to liquidity is a result of the funds available to cover future commitments. The Board manages liquidity risk through an ongoing review of future commitments and credit facilities. Monthly management meetings are held where liquidity requirements are discussed and adequate unutilised borrowing facilities are monitored. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

At March 31, 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank overdraft	15 189 941	-	-	-
Trade and other payables	31 584 273	-	-	-
Finance lease obligations	91 911	-	-	-
Deferred income	9 769 265	-	-	-
At March 31, 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank overdraft	6 226 018	-	-	-
Trade and other payables	7 989 693	-	-	-
Finance lease obligations	442 150	97 122	-	-
Deferred income	1 441 517	-	-	-
Other financial liabilities	226 406	-	-	-



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009	2008
Figures in Pula	P	P

30. Risk management (continued)

The table below analyses the Board's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At March 31, 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Outflow	7 826 087	-	-	-

Interest rate risk

As the Board has no significant interest-bearing assets, the Board's income and operating cash flows are substantially independent of changes in market interest rates.

The Board's interest rate risk arises from long-term borrowings and short term borrowings. Borrowings issued at variable rates expose the Board to cash flow interest rate risk. During 2009, the Board's borrowings at variable rate were denominated in the Pula and relates to finance lease obligations and bank overdraft.

The Board analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Board calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

At March 31, 2009, if interest rates on Pula-denominated borrowings had been 0.5% higher/lower with all other variables held constant, the impact for on surplus for the year would have been P 77 798 (2007: P 4 344) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowing.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2009	2008
	Figures in Pula	P	P

30. Risk management (continued)

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	24.00 %	1 890 971	-	-	-	-
Foreign currency bank deposits - ZAR	3.50 %	54 141	-	-	-	-
Short term deposits	11.05 %	11 360 996	-	-	-	-
BWP call deposits	7.00 %	2 324 380	-	-	-	-
Bank overdraft facilities	11.35 %	(15 189 941)	-	-	-	-
Lease loans	12.00 %	(91 911)	-	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Board only deposits cash with major banks. The banks in Botswana are not rated but they are subsidiaries of major South African, Indian or United Kingdom entities.

Trade receivables mainly comprise government of Botswana and others. The other customers comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on internal ratings in accordance with limits set by the management and approved by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial assets (net of overdraft) exposed to credit risk at year end were as follows:

Financial instrument	2009	2008
Trade receivables	28 226 869	3 949 382
Stanbic Bank Botswana Limited	11 360 996	774 999
First National Bank of Botswana Limited	51 930	201 882
Barclays Bank of Botswana Limited	647 547	929 707
Standard Chartered Bank Botswana Limited	(12 841 094)	(451 683)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Pula		2009 P	2008 P
30. Risk management (continued)			
The Board is exposed to a number of guarantees issued in favour of the Government of Botswana. Refer to note 28 for additional details.			
Foreign exchange risk			
Management has set up a policy to require the Board to manage their foreign exchange risk against their functional currency. The Board is required to hedge some of their foreign exchange risk exposure with the Bank. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Board use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.			
At March 31, 2009, if the currency had weakened by 5% against the South African Rands with all other variables held constant, post-tax profit for the year would have been P 6 288 (2008: P 618 175) lower, mainly as a result of foreign exchange gains/losses on translation of South African Rands denominated trade payables. At March 31, 2009, if the currency had weakened by 5% against the United States Dollars with all other variables held constant, post-tax profit for the year would have been P 3 221 (2008: P 295 176) lower, mainly as a result of foreign exchange gains/losses on translation of United States Dollars denominated bank balances.			
Foreign currency exposure at balance sheet date			
Current assets			
Cash and cash equivalents, USD 9 755 (2008 : USD 10 195)		64 429	67 334
Cash and cash equivalents, ZAR 67 758 (2008 : ZAR 68 438)		55 731	55 985
Liabilities			
Trade payables, ZAR 220 658 (2008 : ZAR 55 470)		181 492	45 178
Trade payables, USD nil (2008 : USD 456 488)		-	3 019 097
Bank overdraft, ZAR nil (2008 : ZAR 7 603 220)		-	6 192 556
Exchange rates used for conversion of foreign items were:			
USD		6.6050	6.6046
ZAR		1.2158	1.2224



DETAILED INCOME STATEMENT

Figures in Pula	Note(s)	2009 P	2008 P
Revenue			
Sale of goods		129 749 346	88 577 214
Strategic Grain Reserve management fees		9 774 380	3 877 754
	20	139 523 726	92 454 968
Cost of sales	21	(105 527 240)	(69 782 366)
Gross profit		33 996 486	22 672 602
Other income			
Commissions received		5 753	585 176
Rental income		1 356 521	1 346 596
Other income		81 536	116 966
Finance income	23	1 606 503	437 478
Profit on exchange differences		146 947	174 772
Government grants amortised		672 252	558 483
		3 869 512	3 219 471
Expenses (Refer to page 67)		(21 387 552)	(16 231 927)
Operating profit	22	16 478 446	9 660 146
Finance costs	24	(1 796 897)	(6 133 590)
Profit for the year		14 681 549	3 526 556

The supplementary information presented does not form part of the annual financial statements and is unaudited.



DETAILED INCOME STATEMENT

Figures in Pula	Note(s)	2009 P	2008 P
Operating expenses			
Advertising		(363 874)	(174 574)
Auditors remuneration	25	(113 400)	(122 220)
Bank charges		(340 840)	(346 517)
Computer expenses		(226 435)	(268 958)
Depreciation, amortisation and impairments		(1 676 141)	(1 493 717)
Employee costs		(11 916 401)	(8 926 080)
Office and general expenses		(271 965)	(113 356)
Board members sitting fees and expenses		(46 377)	(46 999)
Insurance		(599 691)	(635 784)
Lease rentals on operating lease		(30 522)	(50 424)
Legal and professional expenses		(446 924)	(216 960)
Rates and training levies		(120 975)	(59 673)
Loss on disposal of assets		(202 026)	-
Motor vehicle expenses		(978 266)	(681 408)
Pest control		(66 674)	-
Printing and stationery		(273 593)	(247 124)
Protective clothing		(20 426)	(100 176)
Repairs and maintenance		(673 491)	(611 253)
Security		(1 135 631)	(817 079)
Staff welfare		(37 842)	(41 901)
Telephone and fax		(633 943)	(430 894)
Training		(17 574)	(50 756)
Travel and accommodation		(853 138)	(501 692)
Utilities		(341 403)	(294 382)
		(21 387 552)	(16 231 927)

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NOTES

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