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Botswana Agricultural Marketing Board

# Annual Report 2010







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# Contents

Company Overview	3 - 5
Chairperson's Report	10 - 11
Chief Executive Officer's Review	12 - 20

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

Independent Auditor's Report	25 - 27
Board Members' Responsibilities and Approval	28 - 29
Statement of Financial Position	30
Statement of Comprehensive Income	31
Statement of Changes in Equity	32
Statement of Cash Flows	33
Accounting Policies	34 - 51
Notes to the Annual Financial Statements	52 - 84

**The following supplementary information does not form part of the annual financial statements and is unaudited:**

Detailed Income Statement	85 - 86
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## Yellow Maize

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



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## Company Overview

### Our Mandate

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

### The Act also requires BAMB

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

### Business Philosophy

#### Vision

A preferred market for quality Agricultural products and services.

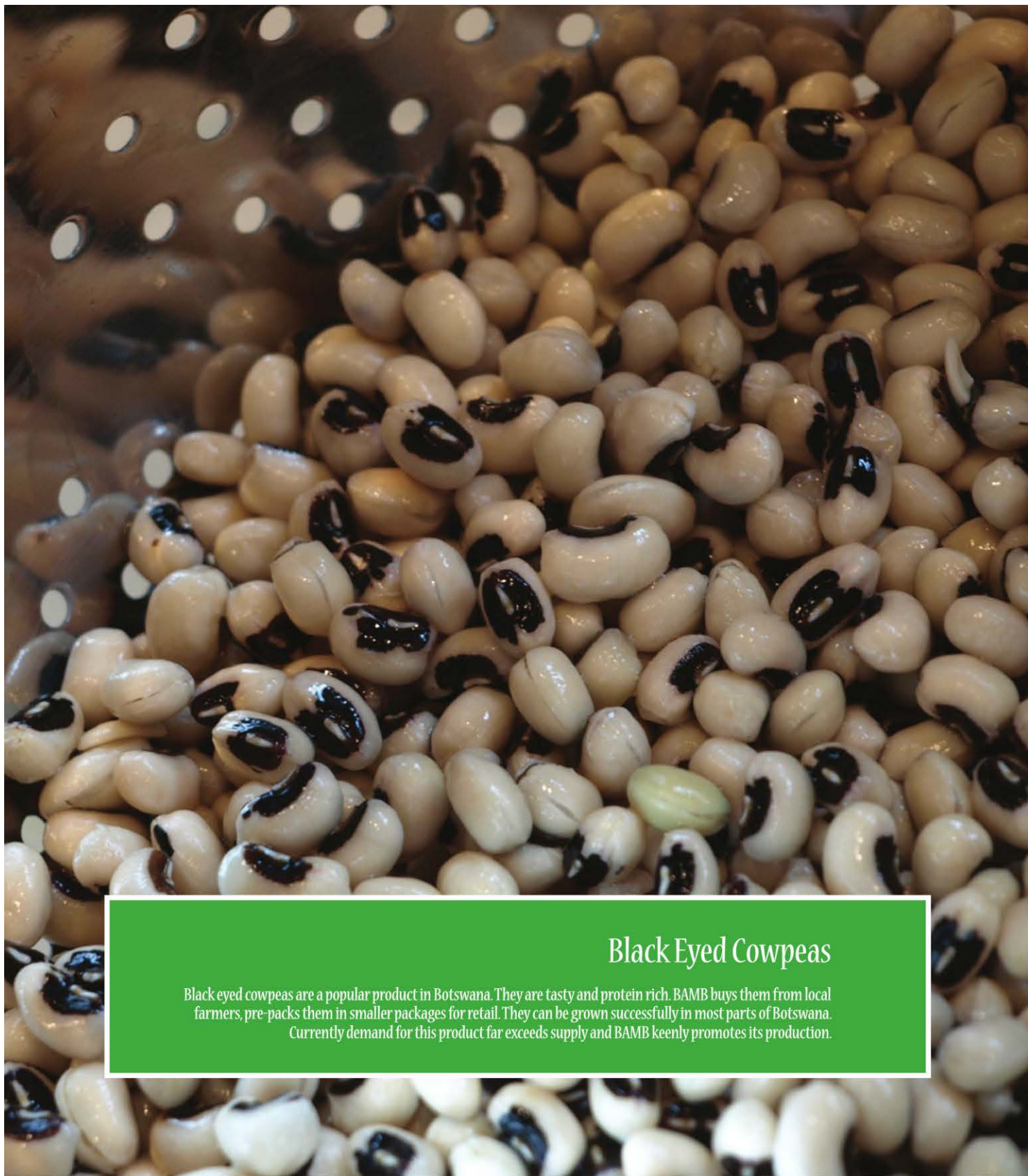
#### Mission

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

#### Values

Integrity  
Trustworthiness  
Courtesy  
Timeliness  
Efficiency  
Teamwork





## Black Eyed Cowpeas

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



### **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, millet

#### **Cowpeas and Beans:**

Tswana cowpeas, Purple cowpeas, Black-eyed beans, White haricots, Jugo beans, Tepary beans, China peas

#### **Oilseeds:**

groundnuts, sunflower

#### **Processed Foods:**

- BAMB Sunflower cooking oil: extracted from pure sunflower seeds
- Mosutlhane: dehulled sorghum grain with no added preservatives
- Ntlatlawane: sorghum whole meal with no added preservatives

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## **Our Products and Services**

**Agricultural Farming Inputs:** BAMB sells different types of fertilizers; quality rain fed agricultural seeds, vegetable seeds, agrochemicals and packaging materials for agricultural produce.

**Animal Feeds:** BAMB stocks a wide range of animal feed, for cattle, poultry, piggery, game and small stock. BAMB has recently introduced Sunflower cake to its line of products.

**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. The government has increased SGR from 10,000 Mt of sorghum to 70,000 Mt comprising of 30,000 Mt of Sorghum, 30,000 Mt of Maize and 10,000 Mt of beans.

**Product Development and Market Information:** BAMB provides guidance in product and market development for locally grown rain fed produce and also informs farmers about market conditions ahead of planting to guide them to plan their production as well as to access financial support from lending institutions. The information imparted to farmers typically includes, crops that the market demands and price projections and opportunities in the grain industry.

**Contract Farming:** BAMB searches for markets for specified 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.





## Sugar Beans

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





## Board of Directors

**L. R. Manthe** - Board Chairperson  
**D. Tibe** - Board Member  
**T. R. Thebe** - 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

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## Mosutlhane (Sorghum Rice)

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





**M. Mphathi** - Chief Executive Officer

**E. Ncaagae** - Finance Manager

**L. Makubate** - Operations Manager

**B. Maifala** - Human Resources & Admin Manager

**J. Proctor** - Marketing Manager

**Z. Ziga** - Internal Auditor

**C. Mokgoko** - Quality Control Manager

## Management

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## Chairperson's Report

Botswana Agricultural Marketing Board

**The Honorable Christian De Graaff MP**  
**Ministry of Agriculture**  
**Private Bag 003**  
**Gaborone**

Sir

The Botswana Agricultural Marketing Board (BAMB) has recorded a loss of P2,145,015 for the year ended 31st March 2010 as compared to a net profit P14 681 549 realized in the previous year. Revenue also declined from P139 million (2008/2009) to P121 million (2009/2010). Profit margins on a number of products traded by BAMB were severely curtailed due to competition with cheaper imports. Products such as sorghum and sunflower cooking oil were sold at cost price to avoid the inevitable loss due to the aging of stocks. Meanwhile fertilizer stocks carried over from 2008 which were bought when prices were at their highest had to be sold at below cost to cut further losses.

This year's performance of the Board is clearly a departure from that of the previous two years, which had been consistently upwards and enabled BAMB to emerge from a longstanding accumulated deficit position. Although the trading loss has not taken BAMB back to a deficit position, it is an obvious blight in its performance record that needs to be reversed.

The year, 2010/2011 is the final year of the current three year Strategic Plan. The strategies that have enabled us to turn around the Board will continue to be pursued perhaps with more vigour over this final lap. These strategies include, making high quality inputs such as hybrid seeds and fertilizers accessible to farmers



**L. R. Manthe - Board Chairperson**

to help them to increase farm productivity and production, ensuring that producers get a fair price for their produce as well as ensuring 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. I am happy that Government has increased the Stabilization Fund to assist BAMB to maintain stability in the market and reduce market risks for farmers.

Another important intervention that will be continued is the contract farming scheme through which BAMB helps reduce market risks for farmers, thereby reinforce their confidence to invest in technologies and inputs that increase production. I am happy to say this scheme continues to grow. During the 2009/2010 season, BAMB signed production contracts for the supply of 38,206Mt of sorghum, maize, millet and a variety of cowpeas and beans which is double the quantities for 2008/2009. This indicates that more farmers appreciate the benefits of this marketing initiative.



## Chairperson's Report

### Botswana Agricultural Marketing Board

As part of product development and promotion strategy intended to help grow and diversify the market for locally grown products, BAMB has introduced sunflower cooking oil in the local market over the reporting period. This product is currently processed in South Africa using locally produced sunflower seeds but BAMB is in the process of establishing a processing plant in Pandamatenga. This initiative is in line with Government of Botswana effort of promoting local production through its Economic Diversification Drive. The Board also continues to actively search for niche/export markets for products like Mosutlhane (dehulled sorghum) and Ntlatlawane (sorghum wholegrain meal) both of which are said to have health benefits.

In order to achieve its mandate to provide quality service to customers and stakeholders BAMB has established a Quality Management department. BAMB is at the initial stages of developing and implementing a Quality Management System (QMS) that is intended to lead to ISO 9001 certification. The institutionalization of QMS within the Board's business is intended to ensure a systematic and consistent service delivery throughout the branches and across its business areas.

As a major player in ensuring food security for the nation, the Board continues to diligently manage the government Strategic Grain Reserve (SGR). Although the statutory level is 70,000 Mt comprising of 30,000 Mt of Sorghum, 30,000 Mt of Maize and 10,000 Mt of beans, the Board keeps varying amounts depending on its rotational and replenishment needs.

As required by Section 16 subsection (3) of the Botswana Agricultural Marketing Board Act, Cap 74:02 the Board has the honor of submitting the Thirty fourth Annual Report and the accounts for the year ended 31st March 2010.

The accounts were approved by the Board of Directors at its meeting held on the 28th October 2010.



**Ms L. R. Manthe**  
**Board Chairperson**

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## Chief Executive Officer's Review

Botswana Agricultural Marketing Board

### Financial Review

The Botswana Agricultural Marketing Board has registered a net loss of P2,145,013 for the year ended 31st March 2010 as compared with the previous year's net profit of P14 681 549. Revenue has also dropped by 13.4% from P139,523,726 in 2008/2009 to P120,828,929 for the year ending 31st March 2010. This was the first time since 2004 that sales have regressed and profitability affected. This was due to a number of factors that include:

- Competition with cheaper imports slowed down sales and put pressure on margins especially for locally purchased sorghum and maize. The sorghum crop sold over the reporting period was procured in 2008 when market prices were at their highest ever, at P1900 per metric ton (Mt). As such, the stock was being traded at a time when the prevailing market price was P650/Mt lower than its cost price.
- Stiff price competition between sunflower cooking oil produced by BAMB and imported blended oil products forced BAMB to sell it at cost price rather than incur losses due to its expiry. It is necessary to point out that the cost of sale of this product was higher than usual, because stocks were purchased when the price of sunflower was very high. It further included costs which competitors did not incur such as transport from Pandamatenga to the crushing plant in South Africa, repatriating and introducing the oil into the market.
- P2.2 million was written-off for stock losses that



M. Mphathi - Chief Executive Officer

occurred over a period of about four years, owing to damage in storage and loss of quality. For operational reasons the differences could not be adjusted before the grain was depleted, hence the relatively high amount written off this year.

- About 450 Mt of fertilizer that was left over from the 2008 season's stocks was bought when fertilizer prices were at their highest and had to be sold at half the cost following a precipitous drop in fertilizer prices towards the end of 2009.

### Business Overview

#### Operations Review

The Board encountered a number of operational challenges which have had an effect on the performance of the Board over the reporting period.

Over the reporting period the cost of transport for sorghum, a major product in the business of the Board



## Chief Executive Officer's Review

### Botswana Agricultural Marketing Board

increased markedly due to the condition of the Pandamatenga-Nata road. This put further pressure on the already narrow margins that typify BAMB business.

The condition of silos at Pitsane affected stocks of sorghum stored there since 2006. This led to loss of stocks worth P2.2 million mentioned earlier. It is important to note that this loss was incurred over the years. This was because it was not possible to accurately measure stocks in silos therefore determine and adjust the differences between book values and physical values of stocks until the silos affected were finally emptied during the reporting period. The Board incurred a further loss of stock worth P300,000 of sunflower cake that got burnt in storage due to unexpected spontaneous combustion.

The Board also experienced a system crash where it lost the main server carrying accounting information. The backup server was also corrupted and data had to be rebuilt from various backup sources. This resulted in the delay in the finalization of 2010 financial statements.

#### **Business Strategy:**

BAMB was set up to provide a market mainly for local grain producers therefore its business thrives when grain stocks are readily available at competitive prices. BAMB continues to face the challenges of low deliveries associated with low productivity of the arable sub-sector. Low productivity also affects farmers since it makes local produce less competitive in the market. Further still due to unstable market prices farmers are exposed to market risks that exacerbate production risks that they already face.

Deliveries of all types of grains to BAMB decreased from 29,442 Mt in 2008 to 28,596 Mt in 2009 despite the implementation of the Integrated Support Programme for Arable Agriculture Development (ISPAAD). These figures do not match production increases reported by the Ministry of Agriculture for the same period. It is of course appreciated that beneficiaries of the programme who are predominantly small farmers might have been dissatisfied with declining market prices and opted to keep and consume their produce or trade among themselves.

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## Chief Executive Officer's Review

### Botswana Agricultural Marketing Board

At the operational level BAMB also encountered challenges such as the increasingly costly haulage of sorghum from Pandamatenga to the main population centres in south-eastern Botswana which raised the cost of sales and reduced margins.

In order for BAMB to sustain its business and to continue to deliver on its mandate it has to overcome the above challenges through a growth strategy that includes the following initiatives:

- Setting producer prices which are fair for both producers and consumers and stabilizing the market prices to restore the confidence of farmers to produce.
- 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 for working capital from banks.
- Contracting farmers to produce certain crops for identified markets at prices agreed to before planting or harvesting, thus insulate them against market risks.
- Initiating the development of products derived from locally produced crops such as sunflower oil and cake to diversify and grow their market.
- Supplying inputs such as high performing hybrid seeds, fertilizers and other agro-chemicals needed for improving output at farm level.
- Supporting the revival of sorghum production in other parts of Botswana other than Pandamatenga, to diversify its sources.

### Grain Purchases:

During the 2009/2010 harvesting season BAMB purchased about 28,596 Mt of grains which mainly comprised 22,679 Mt of sorghum and 5,337 Mt of maize both of which were far below local demand. These amounts were also below the previous year's purchases of about 29,442 Mt of locally produced grains which mainly comprised 15,539 Mt of sorghum, 7,000 Mt of sunflower and 6,773 Mt of Maize.



## Chief Executive Officer's Review

### Botswana Agricultural Marketing Board

Product	Quantity purchased (Mt)	
	2008/2009	2009/2010
Sorghum	15,539	22,679
Maize	6,773	5,337
Sunflower	7,000	69
Pulses and Groundnuts	130	407
Millet		104
<b>Total</b>	<b>29,442</b>	<b>28,596</b>

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To supplement local produce in 2009/2010, BAMB had to import 1,827 Mt of sugar beans from South Africa. The quantities imported and locally purchased produce are a fraction of what the whole industry needs which clearly shows that the local market for these products is ample.

#### Producer prices:

Like all commodity markets the grain market is influenced by supply and demand conditions, such that when shortages occur in the market, prices rise and they drop when there is excess in the market. As a result market prices vary widely from one year to another as well as constantly fluctuate within a season. For example at the onset of the harvest season they may be higher than later in the season as and when supply and demand conditions change.

Being a net importer of grain Botswana is exposed to external market conditions since imports directly compete with locally produced grain because 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 in parity with imports using the South African Futures Exchange (SAFEX) as a benchmark.

In an effort to stabilize the ever fluctuating grain 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. However in certain



## Chief Executive Officer's Review

### Botswana Agricultural Marketing Board

instances when market conditions permit and local produce is of higher quality than imports, BAMB is able to set buying prices above the market.

Producer prices for sorghum, maize and sunflower over the 2009/2010 harvesting season showed a downward movement and this was largely due to high production of these crops in the region during the 2008/2009 harvesting season leading to high carryover stocks into 2009/2010. Producer prices for 2008/2009 and 2009/2010 ranged as follows:

PRODUCT	2008/2009 PRICE RANGE (Pula/Mt)	2009/2010 PRICE RANGE (Pula/Mt)
Sorghum	1,550 - 1,900	1,650 - 1,700
Millet	1,600 - 2,600	2,600
Maize (White/Yellow)	1,700 - 1,800	1,300 - 1,500
Sunflower	1,182 - 3,540	806 - 1,213
Groundnuts	5,000 - 7,000	7,000 - 8,000
Cowpeas and Beans	5,000 - 6,800	6,200 - 7,000

For millet, groundnuts, cowpeas and beans the producer prices for 2009/2010 harvesting season showed an upward movement mainly because there was low production of these crops in the region and other sources during the 2008/2009 harvesting season.

### Supply of Agricultural Inputs:

During the reporting period, about 7,996 Mt of fertilizers and 700 Mt of high performance hybrids seeds were sold to local farmers. There was a significant increase in the uptake of these products in the market, with fertilisers recording an increase of 128% while seeds recorded an increase of 40%.

	2008/2009	2009/2010	% Increase
Fertilisers (Mt)	3,500	7,996	128%
Seeds (Mt)	500	700	40%



## Chief Executive Officer's Review

### Botswana Agricultural Marketing Board

The inputs supplied are part of a technology package recommended by the National Master Plan for Arable Agriculture (NAMPAAAD) and the Integrated Support Programme for Arable Agriculture Development (ISPAAD) to increase yield per hectare and grain supplies from local sources.

#### Contract Farming:

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.

In 2009/2010 ploughing/planting season BAMB signed production contracts for the supply of 38,206 Mt of sorghum, millet and a variety of cowpeas and beans as compared to 18,874 Mt in the previous year. There was also an increase in number of farmers contracted from twenty six (26) in 2008/2009 to thirty five (35) in 2009/2010 ploughing/planting season. In terms of contracted quantities this is an increase of 102% over the previous year, which shows that some farmers are starting to appreciate the advantages of these marketing strategies. This is a positive development because small scale farmers are also starting to participate in this initiative.

	2008/2009	2009/2010	% Increase
Contracted Quantities (Mt)	18,874	38,206	102%
Number of Farmers	26	35	35%
Pandamatenga	18	18	0
Southern Farmers	8	18	125

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

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## Chief Executive Officer's Review

### Botswana Agricultural Marketing Board

#### Product and Market Development:

During 2009/2010 BAMB continued with its strategy on product development and promotion to help grow and diversify the market for locally grown products by introducing BAMB sunflower cooking oil into the local market. This product is processed from locally grown sunflower seed which is the main crop produced in rotation with sorghum in Pandamatenga. It is currently processed in South Africa as there is no oil pressing plant locally, but is it very costly to transport it to processing facilities, because of its volume to weight ratio and the distance involved. Prior to taking this step BAMB had been making losses on this crop over the years, because a lack of market for sunflower seed and processing capability in or near the main production area.

Future plans include setting up a cold pressing plant in Pandamatenga, with dedicated storage facilities. This initiative is a 'strategic fit' to BAMB mandate of providing stable market for locally produced oilseeds, cereals, cowpeas and pulses. It is also in line with Government of Botswana effort of promoting local production through its Economic Diversification Drive (Import Substitution Initiative). National demand for cooking oil is estimated at about 10,000,000 – 12,000,000 litres per annum and the planned plant is expected to produce 4,000,000 litres initially. Also to be produced from the sunflower pressing plant will be sunflower oil cake to be marketed to animal feed manufacturers as it is a good protein source.

#### Sales Summary

The total sales registered during the reporting period were P114,138,382 and were largely derived from sale of agricultural produce which contributed 71% (P81,248,769) while agricultural inputs contributed 29% (P32,889,613).

Product Category	%/Tot	Sales (Pula)
	100%	114,138,382
Agricultural Produce	71%	81,248,769
Agricultural Inputs and Feeds	29%	32,889,613

#### Sales of Agricultural Produce/ Grains

Of the total sales of agricultural produce realized this year, pulses contributed about 58% (47,252,403), followed by sorghum 33% (P27,007,032), Maize 7% (P5,513,858) and sunflower and millet 2% (P1,475,476).



# Chief Executive Officer's Review

## Botswana Agricultural Marketing Board

Agricultural Produce	Sales (Pula)	% / Tot
	81,248,769	100%
Pulses	47,252,403	58%
Sorghum	27,007,032	33%
Maize	5,513,858	7%
Sunflower & Millet	1,475,476	2%

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 65% (P21,513,903), feeds 18% (P5, 921,209), seeds 11% (P3,597,324) and packaging materials 5% (P1,584,719) 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.

Agricultural Inputs & Feeds	% / Tot	Sales (Pula)
	100%	32,889,613
Fertiliser	65%	21,513,903
Feed	18%	5,921,209
Seeds	11%	3,597,324
Packaging Material	5%	1,584,719
Others	1%	272,459

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## Chief Executive Officer's Review

### Botswana Agricultural Marketing Board

#### Corporate Social Investment:

In a bid to contribute towards the development of the arable sub sector, BAMB sponsored the National and District Agricultural Shows to the tune of P100,000.00. Of the total sponsorship, P65,000 sponsored the Cereal category and the rest sponsored the Legume category prizes.

#### Corporate Strategic Outlook

The Board has completed the second 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, strengthen collaboration with the Ministry of Agriculture, National Development Bank, CEDA and other important players to promote the growth of the sector.

BAMB has established a quality management department which will be developing and implementing a Quality Management System (QMS) leading to ISO 9001 certification. This will assist the Board in establishing a systematic and consistent service delivery system throughout the branches and across its business areas.

#### Human Resources Management

Staff turnover in the reporting year was very low because we recorded six (6) resignations in a staff complement of 130. The Board is currently implementing a Conditions of Service for Employees which was revised in previous year in order to make them contemporary to market conditions and to ensure staff development and retention.



## Corporate Governance

### Botswana Agricultural Marketing Board

During the reporting period the Board was joined by two New Board members Messrs. E.N Wotho and M. Keaja replacing Dr. M. Chimbombi and Ms T.R Thebe who retired from the Board. Over the reporting period, the Board has met management on a quarterly basis.

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.

#### 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.

#### 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. Meetings and attendance of the Board and its sub-committees were as follows:

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## Corporate Governance

### Botswana Agricultural Marketing Board

Member	Board of Directors		Finance and Audit Committee		Human Resources Committee	
	Maximum Possible	Attended	Maximum Possible	Attended	Maximum Possible	Attended
L.R. Manthe	4	4				
D.Tibe	4	3	4	3	2	2
B.A. Mpete	4	4	4	3	2	2
M.C. Kruger	4	4			2	1
G.E. Kalaben	4	2				
K.N. Monthe	4	3				
M.C. Chimbombi	3	1	3	3		
T.Thebe	3	1				
E.N. Wotho	1	1				
M. Keaja	1	1				



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# Annual Financial Statements

Annual Financial for the year ended 31 March 2010



## General Information

### Botswana Agricultural Marketing Board

<b>Country of incorporation and domicile</b>	Botswana
<b>Nature of business and principal activities</b>	The Board is a parastatal organisation established under an Act of Parliament (CAP 74:06, Act 2 of 1974) to market grain and agricultural produce in Botswana
<b>Members of the Board</b>	L R Manthe (Chairperson) D M Tibe (Deputy Chairperson) K N Monthe M C Chimbombi (term ended 26/11/2009) B A Mpete T Thebe (term ended 15/04/2010) M C Kruger E N Wothe (appointed 1 March 2010) G Kalaben M Keaja (appointed 15/04/2010)
<b>Business address</b>	Private Bag 0053 Gaborone, Botswana
<b>Postal address</b>	Plot No 130, Unit 3 & 4, Nkwe Square, GIFP Gaborone, Botswana
<b>Bankers</b>	Standard Chartered Bank Botswana Limited Barclays Bank of Botswana Limited
<b>Auditors</b>	Grant Thornton Certified Public Accountants A Botswana member of Grant Thornton International Ltd
<b>Secretary</b>	B Maifala
<b>Company registration number</b>	0687900



# Independent Auditor's Report

Botswana Agricultural Marketing Board

**To the members of Botswana Agricultural Marketing Board**

## Report on the Financial Statements

We have audited the annual financial statements of Botswana Agricultural Marketing Board, which comprise the statement of financial position as at 31 March 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 38.

## Directors' Responsibility for the Annual Financial Statements

The Board's members are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Botswana Agricultural Marketing Board Act (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.

## Auditor's 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.

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## Independent Auditor's Report

### Botswana Agricultural Marketing Board

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 management, 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 qualified audit opinion.

### Basis for Qualified Opinion

As explained in note 6, the accounting system of the Board experienced a system crash which resulted in loss of significant data. Though the management eventually reconstructed the data, the cost of sales and the year end inventory records were not appropriately updated with the actual weighted average cost. The management had performed certain reconciliations between the data extracted from the operating system, ISOPPOS and the accounting system, ACCPAC and recorded adjustments to cost of sales and inventory at the year end in a method which is more reflective of First-In-First-Out method instead of weighted average method, the accounting policy by the Board. We are unable to verify and ascertain the impact of this change in temporary valuation policy as there is no alternate practical procedure we could adopt to ascertain the inventory valuation based on the weighted average method and therefore we are unable to quantify the impact of the valuation of inventory.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the annual financial statements present fairly, in all material respects, the financial position of Botswana Agricultural Marketing Board as at 31 March 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Botswana Agricultural Marketing Board Act 1974 (CAP 74:06).



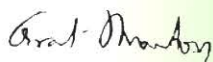
# Independent Auditor's Report

Botswana Agricultural Marketing Board

## 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
- in our opinion, the accounts and related records of the Board have been properly kept
- the statement of accounts (annual financial statements) have been 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)



**Certified Public Accountant**  
**Gaborone**  
**Date: 09-11-2010**

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## Board Members' Responsibilities and Approval

### Botswana Agricultural Marketing Board

The members of the board are required in terms of the Botswana Agricultural Marketing Board (CAP 42:01) 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 judgements and estimates.

The members 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 management 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 31 March 2011 and, in the light of this review and the current financial position, they are satisfied that the board has or has access to adequate resources to continue in operational existence for the foreseeable future. The external auditors are responsible for independently reviewing and reporting on the board's annual financial statements.



## Board Members' Responsibilities and Approval

### Botswana Agricultural Marketing Board

The annual financial statements have been examined by the board's external auditors and their report is presented on pages 3 to 4.

The annual financial statements set out on pages 6 to 40, which have been prepared on the going concern basis, were approved by the members of the board on 28-10-2010 and were signed on its behalf by:



**Director  
Gaborone**



**Director**

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## Statement of Financial Position

Botswana Agricultural Marketing Board

Figures in Pula	Note(s)	2010	2009
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	75,670,664	26,925,328
<b>Current Assets</b>			
Inventories	6	43,375,868	50,548,648
Trade and other receivables	7	30,047,548	29,614,160
Cash and cash equivalents	8	16,301,280	14,602,697
		<b>89,724,696</b>	<b>94,765,505</b>
<b>Total Assets</b>		<b>165,395,360</b>	<b>121,690,833</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Government equity	9	27,455,061	27,455,061
Reserves		74,467,001	27,778,584
Retained income		5,827,007	7,527,997
		<b>107,749,069</b>	<b>62,761,642</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Finance lease obligation	14	1,547,079	-
<b>Current Liabilities</b>			
Finance lease obligation	14	439,858	91,911
Trade and other payables	17	28,459,016	31,584,275
Deferred income	15	9,769,265	9,769,265
Dividend payable	16	-	2,192,411
Bank overdraft	8	17,431,073	15,291,329
		<b>56,099,212</b>	<b>58,929,191</b>
<b>Total Liabilities</b>		<b>57,646,291</b>	<b>58,929,191</b>
<b>Total Equity and Liabilities</b>		<b>165,395,360</b>	<b>121,690,833</b>



## Statement of Comprehensive Income

Botswana Agricultural Marketing Board

Figures in Pula	Note(s)	2010	2009
Revenue	19	120,828,929	139,523,726
Cost of sales	20	(99,007,362)	(105,527,240)
<b>Gross profit</b>		<b>21,821,567</b>	<b>33,996,486</b>
Other income		3,378,351	2,263,009
Operating expenses		(26,225,298)	(21,387,552)
<b>Operating (loss) profit</b>	21	<b>(1,025,380)</b>	<b>14,871,943</b>
Finance income	22	1,239,737	1,606,503
Finance costs	23	(2,359,370)	(1,796,897)
<b>(Loss) profit for the year</b>		<b>(2,145,013)</b>	<b>14,681,549</b>
<b>Other comprehensive income:</b>			
Effects of cash flow hedges		-	226,406
Gains and losses on property revaluation		46,688,417	(455,408)
Release of revaluation reserve on disposal		-	(495,355)
<b>Other comprehensive income (loss)</b>			
<b>for the year net of taxation</b>	25	<b>46,688,417</b>	<b>(724,357)</b>
<b>Total comprehensive income</b>		<b>44,543,404</b>	<b>13,957,192</b>

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## Statement of Changes in Equity

Botswana Agricultural Marketing Board

Figures in Pula	Government equity	Hedging reserve	Revaluation reserve	Stabilisation fund	Development fund	Total funds and reserves	Retained earnings	Total equity
<b>Balance at 01 April 2008</b>	<b>27,455,061</b>	<b>(226,406)</b>	<b>18,711,679</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>20,485,273</b>	<b>(5,911,904)</b>	<b>42,028,430</b>
Changes in equity								
Total comprehensive income for the year	-	226,406	(950,763)	-	-	(724,357)	14,681,549	13,957,192
Funds received from government	-	-	-	8,017,668	-	8,017,668	-	8,017,668
Amortisation of revaluation	-	-	-	-	-	-	455,408	455,408
Transfer to retained earnings on disposal	-	-	-	-	-	-	495,355	495,355
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
<b>Balance at 01 April 2009</b>	<b>27,455,061</b>	<b>-</b>	<b>17,760,916</b>	<b>9,017,668</b>	<b>1,000,000</b>	<b>27,778,584</b>	<b>7,527,997</b>	<b>62,761,642</b>
Changes in equity								
Total comprehensive loss for the year	-	-	46,688,417	-	-	46,688,417	(2,145,013)	44,543,404
Amortisation of revaluation	-	-	-	-	-	-	444,023	444,023
Total changes	-	-	46,688,417	-	-	46,688,417	(1,700,990)	44,987,427
<b>Balance at 31 March 2010</b>	<b>27,455,061</b>	<b>-</b>	<b>64,449,333</b>	<b>9,017,668</b>	<b>1,000,000</b>	<b>74,467,001</b>	<b>5,827,007</b>	<b>107,749,069</b>
Note(s)	9	10 & 25	11 & 25	12	13		25	



## Statement of Cash Flows

Botswana Agricultural Marketing Board

Figures in Pula	Note(s)	2010	2009
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	4,920,688	(8,661,566)
Finance income		1,239,737	1,606,503
Finance costs		(2,247,552)	(1,742,217)
<b>Net cash from operating activities</b>		<b>3,912,873</b>	<b>(8,797,280)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(3,944,831)	(1,485,474)
Sale of property, plant and equipment		-	313,450
<b>Net cash from investing activities</b>		<b>(3,944,831)</b>	<b>(1,172,024)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		1,783,208	(502,041)
Stabilisation and development grants received		-	8,017,668
Dividends paid	27	(2,192,411)	-
Other non cash item		-	226,406
<b>Net cash from financing activities</b>		<b>(409,203)</b>	<b>7,742,033</b>
Total cash and cash equivalents <b>movement for the year</b>		<b>(441,161)</b>	<b>(2,227,271)</b>
Cash and cash equivalents at the beginning of the year		(688,632)	1,538,639
Total cash and cash equivalents at <b>end of the year</b>	8	<b>(1,129,793)</b>	<b>(688,632)</b>

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# Accounting Policies

Botswana Agricultural Marketing Board

## 1. Presentation of Annual Financial Statements

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

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 and sources of estimation uncertainty

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

#### Trade receivables

The board assesses its Trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, 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, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

#### Allowance for slow moving, damaged and obsolete stock

An allowance for stock is raised to write stock down to the lower of cost or net realisable value. The board has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.



## Accounting Policies

Botswana Agricultural Marketing Board

### 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.

### Impairment testing

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

The board reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest.

### Provisions

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

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## Accounting Policies

Botswana Agricultural Marketing Board

### 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.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. 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 buildings which are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that 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 recognised to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.



## Accounting Policies

### Botswana Agricultural Marketing Board

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. 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.

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## Accounting Policies

### Botswana Agricultural Marketing Board

#### Classification

The board classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the board becomes a party to the contractual provisions of the instruments.

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 instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.



## Accounting Policies

Botswana Agricultural Marketing Board

### Impairment of financial assets

At each reporting date the board assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the board, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

### Loans to employees

These financial assets are classified as loans and receivables.

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## Accounting Policies

### Botswana Agricultural Marketing Board

#### 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 profit or loss within finance costs. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against finance costs in profit or loss.

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.

#### 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. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the board's accounting policy for borrowing costs.



# Accounting Policies

Botswana Agricultural Marketing Board

## Hedging activities

Designated and effective hedging instruments are excluded from the definition of financial instruments at fair value through profit or loss.

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);
- hedges of a net investment in a foreign operation (net investment 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 fair values of various derivative instruments used for hedging purposes are disclosed in note 10.

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 to other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'other income'.

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## Accounting Policies

### Botswana Agricultural Marketing Board

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 in profit or loss as a reclassification adjustment through to other comprehensive income when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in profit or loss as a reclassification adjustment through to other comprehensive 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 statement of financial position 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 statement of financial position 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 on the remaining balance of the liability.



# Accounting Policies

Botswana Agricultural Marketing Board

## 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 other income in profit or loss.

## 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.

Any contingent rents are expensed in the period they are incurred.

## 1.6 Inventories

Inventories are measured at the lower of cost and net realisable value on the weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and 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 of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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## Accounting Policies

### Botswana Agricultural Marketing Board

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 end of the reporting period 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.

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

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

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

The increased carrying amount of an asset 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.



# Accounting Policies

Botswana Agricultural Marketing Board

## 1.8 Government equity

Government equity comprises of equity capital and recallable 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.

Recallable capital recorded at the proceeds received.

## 1.9 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 are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position 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 profit or loss (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

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## Accounting Policies

### Botswana Agricultural Marketing Board

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

#### 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.

#### 1.11 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.

#### 1.12 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 based on terms of employment contract over the period of employment and are not discounted.



## Accounting Policies

Botswana Agricultural Marketing Board

### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit 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 the end of the reporting period 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 year, 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 profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the board is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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## Accounting Policies

### Botswana Agricultural Marketing Board

The amount recognised in the statement of financial position 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 and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

### 1.13 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.

### 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 end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:



## Accounting Policies

### Botswana Agricultural Marketing Board

- 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 end of the reporting period 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.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed. Service fees including maintenance fees for the strategic grain reserve.

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 1.10 above.

#### 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

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## Accounting Policies

### Botswana Agricultural Marketing Board

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.

### 1.17 Translation of foreign currencies

#### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pulas, 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.



## Accounting Policies

Botswana Agricultural Marketing Board

At the end of the reporting period:

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 profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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.

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# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

Figures in Pula	2010	2009
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## 2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

### IAS 1 Presentation of Financial Statements Revised

During the current year, the board adopted IAS 1 Presentation of Financial Statements - Revised.

The revisions resulted in several changes, including terminology changes. As such, the balance sheet will now be referred to as the statement of financial position and the cash flow statement as the statement of cash flows.

In accordance with the revisions, all non owner changes in equity are now presented in a single statement of comprehensive income .

The revisions also introduced the concept of other comprehensive income and require disclosure to be made of all reclassification adjustments and all taxation implications of each component of other comprehensive income. This information has been disclosed in the notes to the annual financial statements.

In addition, a statement of financial position and related notes have been presented for the earliest comparative period. This is in accordance with the requirements of the revised Standard to present such a statement of financial position whenever there is a retrospective restatement to the annual financial statements.

Dividend information will now only be disclosed either on the face of the statement of changes in equity or in the notes.

The Standard did not provide for any transitional provisions for the stated revisions. The changes are required to be applied retrospectively.

The change has been applied retrospectively.



# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

## IAS 23 Borrowing Costs

During the current year, the board changed its accounting policy for borrowing costs, by adopting the revised IAS 23 Borrowing Costs.

The revisions require that all borrowing costs incurred which are directly attributable to the acquisition, construction or production of qualifying assets must be capitalised to the cost of that asset.

There has been no impact on the financial statements due to the adoption of this standard.

## 3. New Standards and Interpretations

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the entity.

Management anticipates that all of the pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the entity's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the entity's financial statements.

### 3.1 Standards and interpretations effective and adopted in the current year

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

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## Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

### IAS 1 (Revised) Presentation of Financial Statements

The main revisions to IAS 1:

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 01 January 2009.

The board has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the board, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

### IAS 23 (Revised) Borrowing Costs

The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 01 January 2009.

The board has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.



# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

## May 2008 Annual Improvements to IFRSs: Amendments to IAS 1 Presentation of Financial Statements

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The board has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

## May 2008 Annual Improvements to IFRSs: Amendments to IAS 10 Events after the Reporting Period

The amendment clarified that if dividends are declared (appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends may not be recognised as a liability as no obligation exists at the reporting date. Thus clarifying that in such cases a liability cannot be raised even if there is a constructive obligation.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The board has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

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## Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

### May 2008 Annual Improvements to IFRS's: Amendments to IAS 23 Borrowing Costs (as revised in 2007)

The description of specific components of borrowing costs has been replaced with a reference to the guidance in IAS 39.

Financial Instruments: Recognition and Measurement on effective interest rate.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The board has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

### May 2008 Annual Improvements to IFRS's: Amendments to IAS 40 Investment Property and IAS 16 Property, Plant and Equipment

Property being constructed for use as investment property is now classified as investment property and not property, plant and equipment (as previously required). Even if the entity accounts for investment property at fair value, such property may be measured at cost until the earlier of date fair value is determinable or construction is complete.

Some terminology in the Standard has been amended to be consistent with other Standards and Interpretations.

In determining the carrying amount of investment property held under a lease and accounted for using the fair value model, the amendment clarified that any lease liability should be added back to the valuation to arrive at the carrying amount, rather than the fair value of the investment property.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The board has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.



# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

## Amendments to IFRS 7: Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The amendment requires additional disclosures about fair value measurement, including separating fair value measures into a hierarchy. The amendments also require liquidity risk disclosure to be separated between non-derivative financial liabilities and derivative financial liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The board has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

### 3.2 Standards and interpretations not yet effective

The board has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the board's accounting periods beginning on or after 01 April 2010 or later periods:

## IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The board expects to adopt the amendment for the first time in the 2011 annual financial statements.

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## Notes to the Annual Financial Statements

### Botswana Agricultural Marketing Board

The adoption of this amendment is not expected to impact on the results of the board, but may result in more disclosure than is currently provided in the annual financial statements.

### 2009 Annual Improvements Project: Amendments to IAS 7 Statement of Cash Flows

The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The board expects to adopt the amendment for the first time in the 2011 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the board, but may result in more disclosure than is currently provided in the annual financial statements.

### Annual improvements 2010

The IASB has published Improvements to IFRSs ('2010 Improvements') which makes minor amendments to nine International Financial Reporting Standards (IFRSs) in May 2010. Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. This publication completes the IASB's third round of annual improvements. The 2010 Improvements reflect issues that were included in an exposure draft of proposed amendments to IFRSs published in August 2009. It also includes an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards.

The effective date of the interpretation is for years beginning on or after 01 July 2011.

The board expects to adopt the interpretation for the first time in the 2013 annual financial statements.

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



# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

## IFRS 9: Financial instruments

This new standard was issued in November 2009. This standard is the first phase of improvements to existing IAS 39 and deals with classification and measurement of financial assets. The standard requires an entity to classify financial assets at either amortised cost or fair value on the basis of a) the entity's business model for managing the financial assets; and b) the contractual cash flow characteristics of the financial asset; unless it chooses to designate a financial asset at fair value through profit or loss. At initial recognition, IFRS 9 requires entities to measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, financial assets are either measured at fair value or amortised cost as described above.

The effective date of the standard is for years beginning on or after 01 January 2013.

The board expects to adopt the standard for the first time in the 2014 annual financial statements.

The adoption of this standard is not expected to impact on the results of the board, but may result in more disclosure than is currently provided in the annual financial statements.

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## Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

Figures in Pula

2010

2009

### 4. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and Buildings	70,849,900	-	70,849,900	28,664,502	(4,273,891)	24,390,611
Furniture and fixtures	885,336	(612,319)	273,017	848,941	(474,388)	374,553
Motor vehicles	5,926,509	(3,114,820)	2,811,689	2,682,441	(2,165,616)	516,825
Plant and machinery	5,481,131	(3,745,073)	1,736,058	4,816,773	(3,173,434)	1,643,339
<b>Total</b>	<b>83,142,876</b>	<b>(7,472,212)</b>	<b>75,670,664</b>	<b>37,012,657</b>	<b>(10,087,329)</b>	<b>26,925,328</b>

### Reconciliation of property, plant and equipment - 2010

	Opening carrying value	Additions	Revaluations	Depreciation	Closing carrying value
Buildings	24,390,611	-	47,132,440	(673,151)	70,849,900
Furniture and fixtures	374,553	36,406	-	(137,942)	273,017
Motor vehicles	516,825	3,244,067	-	(949,203)	2,811,689
Plant and machinery	1,643,339	664,358	-	(571,639)	1,736,058
<b>Total</b>	<b>26,925,328</b>	<b>3,944,831</b>	<b>47,132,440</b>	<b>(2,331,935)</b>	<b>75,670,664</b>

### Reconciliation of property, plant and equipment - 2009

	Opening carrying value	Additions	Revaluations	Depreciation	Closing carrying value
Buildings	25,143,629	410,643	(495,354)	(668,307)	24,390,611
Furniture and fixtures	484,964	23,530	-	(133,941)	374,553
Motor vehicles	733,719	187,738	(20,122)	(384,510)	516,825
Plant and machinery	1,269,160	863,563	-	(489,384)	1,643,339
<b>Total</b>	<b>27,631,472</b>	<b>1,485,474</b>	<b>(515,476)</b>	<b>(1,676,142)</b>	<b>26,925,328</b>



# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

Figures in Pula	2010	2009
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## Pledged as security

Motor vehicles	-	205,000
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The company's assets have been pledged as security towards banking facilities obtained as detailed in Note 8.

## Assets subject to finance lease (Net carrying amount)

Motor vehicles	1,673,783	-
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## Revaluations

Land, buildings and silos of the Board were revalued by professional independent valuers C B Richard Ellis on 28 July 2010 and 16 October 2010 who have determined the open market values of all these assets to P 70, 849,900 representing the open market values of these assets. The basis and assumptions of valuations considered the location, existing market conditions, replacement costs, maintenance costs and existence of an active market. C B Richard Ellis are not related to the company.

The management have incorporated these open market values in the financial statements at the balance sheet date as they believe that there has been no change in economic, market or political changes since the balance sheet date and the dates of valuation.

Land and buildings are revalued at sufficient intervals of 4-5 years by professional valuers to determine the open market value.

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

Land and buildings	6,400,567	6,629,695
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# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

Figures in Pula	2010	2009
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## 5. Financial assets by category

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

### 2010

	Loans and receivables	Total
Cash and cash equivalents	16,301,280	16,301,280
Trade and other receivables	28,232,503	28,232,503
	<b>44,533,783</b>	<b>44,533,783</b>

### 2009

	Loans and receivables	Total
Cash and cash equivalents	14,602,696	14,602,696
Trade and other receivables	29,614,160	29,614,160
	<b>44,216,856</b>	<b>44,216,856</b>

## 6. Inventories

Merchandise	43,623,724	50,548,648
Inventories (write-downs)	(247,856)	-
	<b>43,375,868</b>	<b>50,548,648</b>

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.



# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

## Inventory valuation

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Subsequent to the balance sheet date, i.e. in April 2010, the accounting system of the Board, ACCPAC, experienced a crash which resulted in loss of data for all transactions post September 2009. However the operational system, ISOPPOS, was not affected by the system crash and therefore day to day activities of the various depots and branches were carried out as normal. As per the IT architecture, ISOPPOS a real time system is integrated with the ACCPAC system in such a way that the inventory purchase transactions including the date of purchase, purchase quantities and purchase prices and dates of sales, sales quantities and sales values are captured daily based on the information recorded in ISOPPOS. The inventory module is maintained in the ACCPAC system and the weighted average cost (accounting policy of the Board) of the various products are calculated based on the daily data from ISOPPOS by the ACCPAC system. The ACCPAC system also automatically updates the cost of sales on a back to back entry which is linked to sales invoice using the weighted average rates and quantity of products sold.

The Board could not retrieve the backed up data of ACCPAC from their IT back up servers and had to resort to capture all the transactions again since September 2009. This exercise involved capturing the inventory quantities for all purchases and sales using the information from ISOPPOS.

While recapturing the information in the ACCPAC system, the information on purchases and creditors as well as sales and debtors/cash sales were correctly captured. However, the automatic entries relating to capturing of cost of sales were recorded at the rate prevailing at the date of the data entry instead of recording the value based on weighted average unit rate prevailing on the date of transaction. This data entry date selection was mainly due to high level of integration between ISOPPOS and ACCPAC. The data entry date was obviously much later than the transaction date due to backlog of updation of records aftermath of system crash. Due to this process, the weighted average rates were not appropriately calculated which affected the inventory values and cost of sales recorded in the financial statements. The management performed certain reconciliations between the data extracted from the ISOPPOS and data from ACCPAC and recorded necessary adjustments to cost of sales and inventories.



## Notes to the Annual Financial Statements

### Botswana Agricultural Marketing Board

As a consequence of this adjustment, the inventories at the year end are recorded using a basis which is more reflective of first-in-first-out method (FIFO), whereas the Board policy on inventory valuation is weighted average method. The management had to resort to this alternative method as it was not possible to adopt the weighted average method due to real time nature of inventory recording and volume of transactions. Inventory pledged as security Inventories are pledged as security for the Board's overdraft limits. The current year the overdraft limit was set at P 20million with outstanding balance at balance sheet date being P17 431 073.



# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

Figures in Pula	2010	2009
<b>7. Trade and other receivables</b>		
Employee costs in advance	646,428	285,608
Other receivable	55,980	52,842
Advance paid for refurbishment of Silos	1,815,046	-
Trade receivables	27,530,094	28,174,027
Value Added Tax	-	1,101,683
	<b>30,047,548</b>	<b>29,614,160</b>

The carrying amount of trade and other receivables approximates its fair value.

## Fair value of trade and other receivables

Trade and other receivables	30,047,548	29,614,160
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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. At 31 March 2010, P13,626,225 (2009: P10,110,212) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3,286,955	4,346,229
2 months past due	4,147,143	5,309,095
3 months past due	6,192,127	71,615
More than 3 months past due	-	383,273
	<b>13,626,225</b>	<b>10,110,212</b>

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# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

Figures in Pula	2010	2009
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## 7. Trade and other receivables (cont)

### Trade and other receivables impaired

As of 31 March 2010, trade and other receivables of P 893,417 (2009: P1,213,893) were impaired and provided for.

The amount of the provision was P 893,417 as of 31 March 2010 (2009: P1,213,893).

The ageing of these loans is as follows:

1 to 3 months	12,380	132,546
Over 3 months	893,495	1,081,347
	<b>905,875</b>	<b>1,213,893</b>

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	1,213,893	3,262,176
Provision for impairment	-	777,057
Amounts written off as uncollectable	(197,378)	(2,825,340)
Unused amounts reversed	(123,098)	-
	<b>893,417</b>	<b>1,213,893</b>

The creation and release of provision for impaired receivables have been included in finance costs in profit or loss (note 20). 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

## Botswana Agricultural Marketing Board

Figures in Pula	2010	2009
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	1,135,008	725,332
Bank overdraft	(17,431,073)	(15,291,329)
Cash on hand	180,020	91,988
Short-term deposits	14,986,252	13,785,377
	<b>(1,129,793)</b>	<b>(688,632)</b>
Current assets	16,301,280	14,602,697
Current liabilities	(17,431,073)	(15,291,329)
	<b>(1,129,793)</b>	<b>(688,632)</b>

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 P11 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.

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# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

Figures in Pula	2010	2009
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## 8. Cash and cash equivalents (cont)

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
	<b>27,455,061</b>	<b>27,455,061</b>

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. 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)



# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

Figures in Pula	2010	2009
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## 11. Revaluation reserve

Revaluation surplus representing the difference between carrying value and open market value of the properties credited directly to other comprehensive income and amortised on a yearly basis directly to retained income to the extent of difference between depreciation based on revalued amount and depreciation based on original costs.

At the beginning of the year	17,760,916	18,711,679
Amortised during the year	(444,023)	(455,408)
Surplus during the year	47,132,440	(495,355)
	<b>64,449,333</b>	<b>17,760,916</b>

## 12. 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.

At the beginning of the year	9,017,668	1,000,000
Received during the year from Government of Botswana	-	8,017,668
	<b>9,017,668</b>	<b>9,017,668</b>

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# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

## Figures in Pula

2010

2009

### 13. 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.

At the beginning of the year

1,000,000

1,000,000

-

-

1,000,000

1,000,000

### 14. Finance lease obligation

#### Minimum lease payments due

- within one year

408,933

99,604

- in second to fifth year inclusive

1,792,759

-

2,201,692

99,604

less: future finance charges

(214,755)

(7,693)

#### Present value of minimum lease payments

1,986,937

91,911

#### Present value of minimum lease payments due

- within one year

439,858

91,911

- in second to fifth year inclusive

1,547,079

-

1,986,937

91,911

Non-current liabilities

1,547,079

-

Current liabilities

439,858

91,911

1,986,937

91,911



# Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

Figures in Pula	2010	2009
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## 14. Finance lease obligation (cont)

It is board policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 10.50% (2009: 14.50%).

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

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

## 15. Deferred income

Deferred income mainly relates to unexpended balance of grants received from the Government of Botswana for the refurbishment of storage facilities.

During the current year the board made a commitment to refurbish the silo storage facilities at a total cost of ZAR 6 640 000. The board has made a payment of ZAR 2 000 000 (BWP 1 815 046) to the Contractor being the down payment for the contract work to be done. This

Opening balance	9,769,265	1,441,517
Received during the year	-	9,000,000
Utilised during the year	-	(672,252)
	<b>9,769,265</b>	<b>9,769,265</b>

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## Notes to the Annual Financial Statements

Botswana Agricultural Marketing Board

Figures in Pula	2010	2009
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### 16. 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 paid an amount P 2 192 411 as dividend to the Government of Botswana in the prior year.

### 17. Trade and other payables

Payroll accruals	4,010,334	3,516,289
Other payables	326,431	93,388
Trade payables	23,538,882	27,974,598
Value Added Tax	583,369	-
	<b>28,459,016</b>	<b>31,584,275</b>

The carrying amounts of trade and other payables approximates its fair value.

### 18. Financial liabilities by category

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

#### 2010

	Financial liabilities at amortised cost	Total
Finance lease obligations	1,986,937	1,986,937
Trade and other payables	23,865,313	23,865,313
Bank overdraft	17,431,073	17,431,073
	<b>43,283,323</b>	<b>43,283,323</b>

#### 2009

	Financial liabilities at amortised cost	Total
Finance lease obligations	91,911	91,911
Trade and other payables	28,067,986	28,067,986
Bank overdraft	15,291,329	15,291,329
	<b>43,451,226</b>	<b>43,451,226</b>