



BAMB

BOTSWANA AGRICULTURAL
MARKETING BOARD



2011 ANNUAL REPORT
AND FINANCIAL ACCOUNTS

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COMPANY PROFILE

OUR MANDATE

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

Powers of BAMB - conferred by the Act

- 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.

OUR VISION

To be a world class market for agricultural products and services.

OUR MISSION

Provide marketing services for growing the agricultural industry

OUR VALUES

- Innovation
- Integrity
- Teamwork
- Efficiency
- Botho

OUR PRODUCTS & SERVICES

BAMB offers the following to the farming community and consumers:

- **Agricultural Produce:** we provide a guaranteed market for locally grown arable produce such as:
 - Cereals: - sorghum, maize and millet.
 - Cowpeas and Beans: - Tswana cowpeas, Purple cowpeas, Black-eyed cow peas, White haricots, Jugo beans, Tepary beans and China peas.
 - Oilseeds: - groundnuts and sunflower.
- **Value Addition:** we enhance marketing of locally produced agricultural products through value addition i.e.
 - BAMB Sunflower cooking oil: extracted from sunflower seeds grown locally
 - Mosuthane: dehulled sorghum grain with no added preservatives
 - Ntlatlawane: sorghum whole meal with no added preservatives
- **Agricultural Farming Inputs:** BAMB sells different types of fertilisers; 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. Government increased the amount of SGR from 10,000 Mt of sorghum only to 70,000 Mt comprising 30,000 Mt of Sorghum, 30,000 Mt of Maize and 10,000 Mt of beans in 2009.

- **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 provided 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.

PERFORMANCE HIGHLIGHTS

The mandate and products and services it offers makes BAMB an important player in the commercialization of the arable sector and a significant contributor to the Government's economic diversification efforts. The interventions by BAMB over the last six years have resulted in a significant growth of the business and participation of farmers in production as follows:

Turnover: sales of goods increased from P40 million in 2006 to P204 million as at 31st March 2011.

Profitability: Due to improved performance of BAMB from loss making to a profit oriented business, a long outstanding accumulated deficit which stood at P9.9 million as at March 31, 2007 was cleared and BAMB realised a positive retained earnings of P5.8 million as at March 31, 2011. As such the going concern status of BAMB is no longer in doubt and it is able to pay dividends to the shareholder whenever profit is realized.

Year	Revenue (Million Pula)	Year	Loss (Million Pula)	Profit (Million Pula)
2006	40,098,565	2006		1,020,985
2007	49,539,416	2007	(3,541,805)	
2008	92,454,968	2008		3,526,556
2009	139,523,726	2009		14,681,549
2010	120,828,929	2010	(2,145,013)	
2011	209,748,880	2011	(1,070,109)	

Economic Diversification Drive (EDD)

- **Increased Production:** BAMB is strategically positioned in the local grain value chain as it provides an enabling environment for promotion of commercialization of the arable sector. This has been achieved through provision of market information, contract farming, and supply of high performing seeds (hybrids), fertilizers and agro-chemicals. As a result there has been an increase in cereal production from 10,000 Mt to 34,000 Mt over a period of four (4) years. The number of farmers participating in BAMB contract farming has increased from 18 to 62 the majority of which are small scale farmers. Quantities contracted also increased from 10,000 Mt in 2007 to 39,986 Mt in 2010.
- **Product Development and Promotion:** BAMB has embarked on product development and promotion to help grow and diversify the market for locally grown products. These efforts include re-introduction of products like mosutlhane (sorghum rice) and ntlatlwane (sorghum wholegrain meal) which are also believed to have health benefits. BAMB is also developing the market for sunflower oil processed from locally produced sunflower seed. Currently, BAMB is toll-crushing its sunflower seed in South Africa and selling the sunflower cooking oil in Botswana. Plans to establish a sunflower pressing plant at Pandamatenga are underway. It's establishment strategically fits in with Government effort of promoting local production through the Economic Diversification Drive (Import Substitution Initiative).

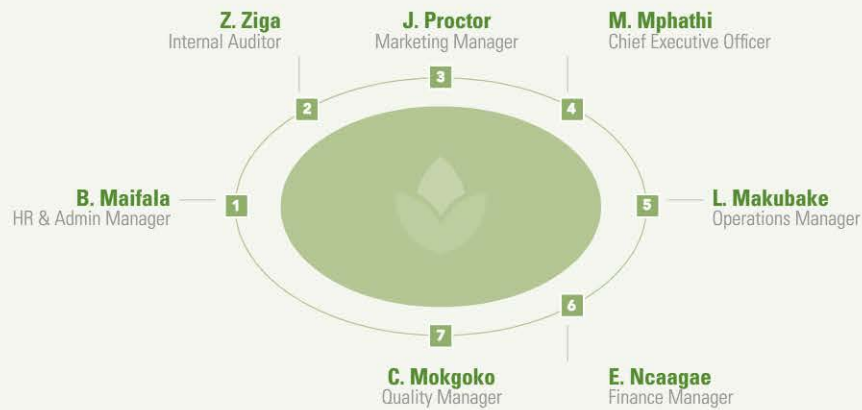
Social Responsibility

The Botswana Agricultural Marketing Board has established a Social Responsibility Committee which is mandated to plan and coordinate the implementation of all Corporate Social Investment activities for BAMB.

BOARD MEMBERS



MANAGEMENT



CHAIRMAN'S REPORT

MR. D TIBE
Board Chairman

CHAIRPERSON'S REPORT

The Honorable Christian De Graaf, MP
Ministry of Agriculture
Private Bag 003
Gaborone

Sir

In accordance with Section 17 (1) of the Botswana Agricultural Marketing Board (BAMB) Act CAP. 74:06, I am pleased to present to you a report on the performance and operations of the Botswana Agricultural Marketing Board (BAMB) over the financial year ending 31st March 2011. The accounts were approved by the Board of Directors at its meeting held on the 15th July 2011.

The end of the 2010/2011 financial year coincided with the end of the three year Strategic Plan 2008-2011. Except for a 14 percent drop in revenue in the 2009/2010 financial year BAMB has experienced growth in its business over the plan period, from P92 million in the 2007/2008 financial year to P209 million in 2010/2011. While profitability has been uneven over the same period, it is gratifying that the longstanding trading deficit has now been cleared which makes the going concern status of BAMB no longer doubtful.

BAMB was set up to provide a guaranteed market for locally grown arable crops and to facilitate price formation, thus plays a vital role in the commercialization of the arable sector and the diversification of the national economy. The demonstrated growth in revenue therefore shows that efforts by Government, BAMB and other stakeholders to grow the arable sector and substitute imports are indeed bearing fruit.

Financial results

The turnover of BAMB grew by 73 percent, from P121 million in 2010 to P209 million over the financial year 2010/2011. The growth in revenue was partly propelled by the imposition of the import restriction on products which are produced locally such as sorghum, maize, and pulses. Despite the marked increase in sales, the Board recorded a loss of P1,070,109 for the year ended 31st March 2011 compared to a loss of P2,145,015 in the previous year. The loss incurred was largely due to high transport and handling costs especially for processing sunflower oil in South Africa and stock loss due to aging.

Operational Matters

Most of the grain stocks sold by BAMB over the reporting period were carried over from the previous two seasons, which explains the inordinately high revenue achieved. Unfortunately these aging stocks were bought when market prices were at their highest, but despite the import restriction these stocks had to be sold into a depressed market at cost or in some cases even below cost. It was however expedient to dispose the older stocks to avoid the inevitable loss due to aging.

A positive development was observed in the growth of contract production whereby a total of 62 farmers signed production contracts with BAMB for 39,986 Mt as against 20 farmers for 32,000 Mt in the previous year. What was even more impressive was the increase in participation by small scale farmers from none in the previous year to 44. This increase was achieved through extensive promotion efforts providing them with information about prices and market conditions ahead of planting time to guide them in planning their production. Other growth strategies included promotion of high quality inputs such as hybrid seeds suitable for the local climate and fertilizers as well as ensuring that producers get a fair price for their produce. BAMB also continued to promote sunflower cooking oil in the local market as part of product development targeted at growing and diversifying the market for locally grown produce.

BAMB continues to diligently manage the Government Strategic Grain Reserve (SGR) to ensure national food security. As agreed, we continue to prioritize the purchase of local produce to stock and replenish the SGR. However, since the statutory level was raised to 70,000 Mt (comprising 30,000 Mt of Sorghum, 30,000 Mt of Maize and 10,000 Mt of beans) BAMB has only been able to fully replenish the sorghum component from local sources in the 2010 harvest season. It has not been possible to do so for maize and beans/cowpeas due to low production of these crops locally. As such there is still a need to import to meet minimum quantities (5000mt for maize and 2000mt for beans/cow peas) as spelt out by the SGR Agency Agreement. With the backing of SGR funds BAMB continues to stimulate the production of these crops through contract production and offering attractive prices.

Corporate governance

The Board of Directors of BAMB established in accordance with Section 3 of the BAMB Act, CAP 74:06 remains committed to corporate governance principles of transparency, accountability and integrity. Although the mandate of the Board of Directors is spelt out by the Act, the Board found it necessary to develop a Board Charter to clearly spell out fiduciary responsibilities and to guide it in its deliberations, thus keeping up with current corporate governance trends.

Over the reporting period the terms of Ms Lerato Manthe (immediate past Board Chairperson) and Mr M. C. Kruger ended after serving in the BAMB Board for ten years each. I express my gratitude to them for having contributed to turning BAMB around.

Future

A new Strategic Plan for 2011-2014 was completed and launched in April 2011. This strategic plan recognizes that there is ample opportunity for growth of the BAMB business, the arable sector, and the rest of the value chain, since imported grains currently dominate in the local market. Under the plan projects such as the sunflower pressing plant which is to be established at Pandamatenga are a 'strategic fit' to Government of Botswana efforts of promoting local production to substitute imports through the Economic Diversification Drive.



Mr. David Tibe
BOARD CHAIRPERSON

CEO'S REVIEW

MR. M MPHATHI
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S REPORT

PERFORMANCE

a) Financial Performance (Revenue and Profit)

The Botswana Agricultural Marketing Board has recorded a phenomenal growth of 73% in revenue from P121 million in 2010 to P209 million in 2011. The sale of goods contributed 97% of the revenue while 3% was paid by Government to BAMB as fees for managing the Strategic Grain Reserve (SGR).

The growth in revenue has however not been matched by the net income. Audited accounts for year ended 31st March 2011 reflect a net loss of P1.070 million which is favourable compared with a net loss of P2.145 million (31st March 2010). The mixed results cannot be ascribed to the increase in cost (operating and administrative), since the cost to sales ratio was reduced from 22% (2010) to 17% (2011). Instead it is the decline in the gross profit to sales ratio from 19% or P22 million in 2010 to 16% or P 32.9 million in 2011 which is responsible for the mixed performance outcome due to the following:

- **Low markup:** Older stocks that were bought when prices were at their highest were sold into a comparatively depressed market.
- **Escalation of transport and handling costs:** for 2011 transport and handling costs which are part of cost of sales were extremely high at P15 million as compared to prior year of P8 million. This escalation was attributed to transportation and handling of large volumes of sunflower and sorghum which were hauled from Pandamatenga to South Africa and south-eastern part of the country respectively.
- **Stock loss:** The Board incurred a stock loss of P3.9 million as compared to P1.9 million for the prior year. About P2.5 million of this loss was associated with processing of sunflower seed in South Africa. These losses included weight differences as result of removal of foreign matter and husks prior to pressing, which accounted for 22% weight loss and refining losses of 5.5%. In addition some old maize stocks valued at P1.0 million that was kept for three (3) years got spoilt to the point where it was not suitable for sale to customers and had to be written off. Competition with imports had precluded timely disposal of these stocks as they were purchased when prices were at their highest.

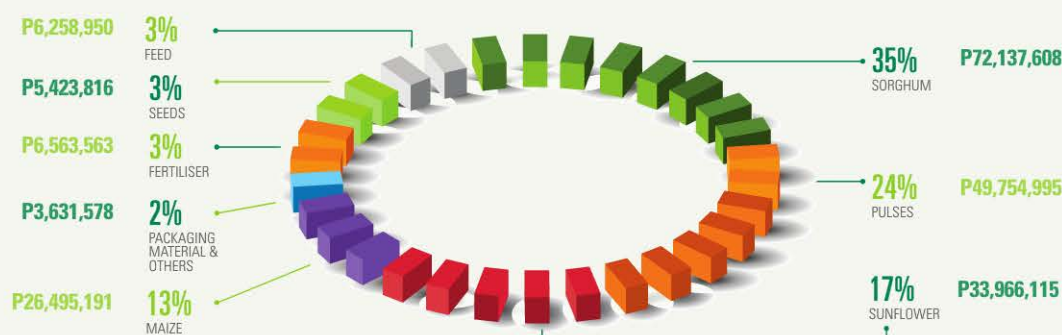
COST TO INCOME RATIO

	2007	2008	2009	2010	2011
SALES	49 539,416.00	92 454,968.00	139 523,726.00	120 828,929.00	209 748,880.00
EXPENSES	17 714,612.00	16 231,927.00	21 387,552.00	26 225,298.00	35 902,612.00



b) Sales Summary

The total sales registered during the reporting period were P204, 231,816. Agricultural produce (sorghum, pulses, sunflower, maize) contributed 89% (P182,353,909) while agricultural inputs (seeds, fertilisers and packaging materials) and feeds contributed 11% (P21, 877,907).



The demand for agricultural produce in the local market presents a huge opportunity for farmers to increase their production and earnings from these crops especially pulses.

Agricultural inputs though contributed 11% of BAMB sales; they are an important input component for increased production of grain. Utilisation of fertilisers and high performing seeds and adoption of new farming technologies should be extensively promoted to the grain farming community.

c) Grain Purchases

During the 2010/2011 harvesting season BAMB purchased 32,085 Mt of grains which comprised 23,803 Mt of sorghum, 6,898 Mt of maize, 1,202 Mt of pulses (cowpeas and beans) and groundnuts, 159 Mt of millet and 23 Mt of sunflower locally. With exception of sunflower these quantities are far below the local demand but compare favourably with previous year's purchases of about 28,596 Mt of locally produced grains made up of sorghum at 22,679 Mt, Maize at 5,337 Mt, pulses and groundnuts at 407 Mt, millet 104 Mt and Sunflower at 69 Mt.



To supplement local produce in 2010/2011, BAMB had to import 4,564 Mt of sugar beans from South Africa. The quantities imported and locally purchased produce are a fraction (15%) of local demand which clearly shows that the market for these products is ample.

GRAIN BUSINESS ENVIRONMENT AND STRATEGIES

a) Grain business environment

Low productivity in the arable farming sub-sector and unstable producer prices are some of the major challenges that BAMB faces, since no product means no business. Low productivity affects farmers since it makes local produce less competitive in the market while unstable market prices expose BAMB to market risks. As such BAMB and farmers are always at opposite ends with farmers concerning the producer prices.

b) Grain Business Strategy

In order to sustain its business operation and continue to be relevant in delivering on its mandate BAMB has overcome the above challenges through a growth strategy that includes the following initiatives:

i) Producer Prices

Like all commodity markets, the grain industry is highly competitive and volatile and 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 and constantly fluctuate within the same season. For example at the onset of the harvest season, they may be higher than later in the season and 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 since local agro-processors/ millers are free to import grain, if it is cheaper for them to do so. As a result the BAMB is forced to set producer (buying) prices at par with imports using the South African Futures Exchange (SAFEX) as a benchmark.

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

Producer prices for 2010/2011 harvesting season, showed a downward movement for sorghum, maize and sunflower and this was largely due to high production of these crops in the region during the 2009/2010 harvesting season leading to high carryover stocks into 2010/2011.

Producer prices for 2008/2009, 2009/2010 and 2010/2011 ranged as follows:

PRODUCT PRODUCER AND CONTRACT PRODUCTION PRICE (Pula/Mt)

	2008/2009	2009/2010	2010/2011
Sorghum	1,550 - 1,900	1,650 - 1,700	1,300 - 1,700
Millet	1,600 - 2,600	2,600 - 2,600	2,600 - 3,000
Maize (White/Yellow)	1,700 - 1,800	1,300 - 1,500	1,100 - 1,420
Sunflower	1,182 - 3,540	806 - 1,213	1,702 - 3,150
Groundnuts & Jugo Beans	5,000 - 7,000	7,000 - 7,000	8,000 - 8,000
Cowpeas and Beans	5,000 - 6,800	6,000 - 7,000	6,000 - 7,200

For millet, groundnuts, cowpeas and beans, producer prices for 2010/2011 harvesting season were stable mainly because their prices are set differently from other crops, i.e not based on the stock markets.

ii) Contract Farming

BAMB introduced a contract farming scheme three years ago. 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.

	2008/2009	2009/2010	2010/2011	% Increase
Contracted Quantities (Mt)	18,874	38,206	39,986.00	5%
Number of Farmers	26	36	62	77%
Pandamatenga	18	18	18	0%
Southern Farmers	8	18	44	144%

In 2010/2011 ploughing/planting season BAMB signed production contracts for the supply of 39,986 Mt of sorghum, millet and a variety of cowpeas and beans as compared to 38,206 Mt in the previous year. There was also an increase in number of farmers contracted from thirty five (35) in 2009/2010 to 62 in 2010/2011 ploughing/planting season. Local farmers especially small scale operators are starting to appreciate the advantages of these marketing strategies. This is a positive development because small scale farmers are also participating in the commercialisation of arable farming.

iii) Supply of Agricultural Inputs:

During the reporting period, about 2,780 Mt of fertilisers and 499 Mt of high performance hybrids seeds were sold to local farmers as compared to 7,996 Mt of fertilizers and 700 Mt of high performance hybrids seeds sold in previous year.

	2008/2009	2009/2010	2010/2011
Fertilisers (Mt)	3,500	7,996	2,780
Seeds	500	700	499.30

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

iv) Provision of Market Information:

BAMB also provides farmers with information about market conditions ahead of planting time to guide them to plan their production as well as to help them to access financial support from lending institutions. Information provided to farmers includes, crops that the market demands and price forecasts.

v) Product and market development

BAMB has embarked on product development and promotion to help grow and diversify the market for locally grown products. As part of this effort, products like *mosutlhane* (sorghum rice) and *ntlatlawane* (sorghum wholegrain meal) which are also said to have health benefits have been re introduced.

Currently our focus is on sunflower cooking oil, the demand of which is estimated to be 10,000,000 – 12,000,000 litres per annum. However due to lack of processing facilities in the country, the sunflower seed produced locally is toll crushed into sunflower oil at a plant in the Republic of South Africa at present.

Plans to establish a processing plant in Pandamatenga are at an advanced stage. This is in line with the BAMB mandate of providing stable market for locally produced oilseeds, cereals, cowpeas and pulses. It is also in line with the Government's efforts aimed at promoting local beneficiation through the Economic Diversification Drive (Import Substitution Initiative). The sunflower pressing plant will also produce a protein rich sunflower oil cake which is an important constituent of animal feed which up to now is imported.

CORPORATE SOCIAL RESPONSIBILITY

The Botswana Agricultural Marketing Board has established a Social Responsibility Committee which is mandated to plan and coordinate the implementation of all Corporate Social Investment activities for BAMB. During the reporting period the committee was engaged in a wide range of activities which include sponsored walks to raise funds for identified causes, a wellness event at Pitsane, provide 15 disadvantaged members of the Pandamatenga community with grocery of food and vegetables and also hosted 2010 Christmas Party for 240 Pandamatenga Primary School children.

CORPORATE STRATEGY

The year ending March 31st 2011 marked the completion of BAMB three (3) year strategic plan which ran from 1st April 2008 to – 31st March 2011. The Balanced Score Card (BSC) concept was adopted in formulating this strategy so as to cover all the critical aspects of the business. As a result of implementing the strategy, revenue has grown from P92 million in 2008 to P209 million in 2011. This remarkable achievement is attributable to the provision of high quality products and services, promotion of BAMB products and services, improving effectiveness and efficiency within the organization, building capacity, improving communication channels as well as collaborating with other partner organizations.

The formulation and development of a new three (3) strategic plan for period of 2011 to 2014 has been completed. Our strategic intent is to increase the trading of locally produced cereals and other products as well as to increase profitability in order to maximize shareholder value. The Board intends to pay particular attention to marketing and branding of BAMB product and services, provision of quality products and services, improving operational efficiency and effectiveness, strengthening collaboration with other industry players such as Ministry of Agriculture, National Development Bank and CEDA to promote the growth of the sector.

The Board has established a Quality Management Department whose main responsibility is to guide BAMB to develop and implement sound quality management programmes aimed at improving product quality and service delivery. The implementation of a Quality Management System (QMS) is intended to lead to ISO 9001 certification by 2014. This is expected to give confidence and assurance to customers and other stakeholders on the Board's products and services delivery. The first phase of the QMS project which focused on awareness training for management and staff has been completed and subsequent phases are due to commence in the current plan period. As part of the institutionalization of QMS, BAMB will establish a quality control laboratory to ensure that products meet national and international quality standards.

HUMAN RESOURCE MANAGEMENT

Staff turnover in the reporting year was low. Only five (5) resignations in a staff complement of 146 were recorded. On an annual basis BAMB participates on remuneration and salary surveys to establish how BAMB staff salaries compare with the market. The most recent survey shows that BAMB salaries align with the market between the median and upper at upper quartile, which is fairly competitive. In the new strategic plan BAMB will focus on developing and implementing a staff retention strategy covering welfare, skills alignment and talent management programmes.

During the year, two long serving board members retired from the Board and they were Ms L.R. Manthe - Chairperson of the Board and M.C. Kruger - Board member. Mr. David Tibe, then Deputy Chairperson was elevated to chair the Board. Two members – Ms T. Phutego and J.J. Van Der Westhuizen joined the Board to replace Ms Manthe and Mr. Kruger.

CORPORATE GOVERNANCE

The Board of Directors of the Botswana Agricultural Marketing Board oversees the organization's performance and provides strategic leadership, guidance and supervision of management. To achieve this, the Board meets management on quarterly basis and regularly reports the organization's activities to Government.

The Board of Directors is committed to safeguarding strong corporate governance throughout the Board. In achieving the above the Board has developed a Board Charter which clearly stipulates the Board of Directors' responsibilities and roles. The following subcommittees have been established to assist the Board of Directors in executing 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 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:

Member	Main Board of Directors meeting		Finance & Audit Committee		Human Resource Committee		Tender Committee	
	Max. possible	Attended	Max. possible	Attended	Max. possible	Attended	Max. possible	Attended
L.R. Manthe	4	2						
D. Tibe	4	4	4	2				
B.A. Mpete	3	4	4	3		2		
M.C. Kruger	4	3				2		
G.E. Kalaben	4	4	4	1				2
K.N. Monthe	4	2						2
E.N. Wotho	4	3						0
M. Keaja	4	2	4	1				
T. Phuthogo	4	1	4	1				2
J.J. Van Der Westhuizen	4	1				1		

FINANCIAL STATEMENTS

BAMB ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011



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GENERAL INFORMATION

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Company Secretary:

B Maifala

Registered Office:

Plot 130, Unit 3 & 4

Nkwe Square

Gaborone International Finance Park Gaborone

Botswana

Postal address

Private Bag 0053

Gaborone

Botswana

Auditors:

Ernst & Young

2nd Floor, Plot 22

Khama Crescent

Gaborone

Bankers:

Standard Chartered Bank of Botswana Limited

Barclays Bank of Botswana Limited

First National Bank of Botswana Limited

Company registration number

687900

Measurement and Presentation Currency:

Botswana Pula

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS



DIRECTOR

17/08/2011

DATE



DIRECTOR

17/08/2011

DATE

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BOTSWANA AGRICULTURAL MARKETING BOARD



Report on the financial statements

We have audited the accompanying financial statements of Botswana Agricultural Marketing Board, which comprise the statement of financial position as at 31 March, 2011, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 3 to 40.

Directors' responsibility for the financial statements

The Board's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Basis for qualified opinion

Because we were appointed auditors of Botswana Agricultural Marketing Board during 2011 and the prior year audit report was qualified on inventory, we were not able to satisfy ourselves concerning the opening balance of inventory. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for 2011. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the comparative information.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion, the financial statements present fairly, in all material respects, the financial position of Botswana Agricultural Marketing Board as at 31 March 2011 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and in the manner required by the Botswana Agricultural Marketing Board Act 1974 (CAP 74:06).

GABORONE

DATE: 17/08/2011

Ernst & Young, Gaborone
Certified Public Accountants
Practicing Member: Bakani Ndwapi (19980026)

STATEMENT OF COMPREHENSIVE INCOME

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

		March 31 2011	March 31 2010
	Notes	BWP	BWP
Revenue	14	209,421,245	120,828,929
Costs of sales	15	(176,254,855)	(99,007,362)
Gross Profit		33,166,390	21,821,567
Other income		3,161,250	3,379,787
Operating expenses		(36,527,084)	(26,226,733)
Operating (loss) / profit	16	(199,444)	(1,025,379)
Finance income	17	1,152,304	1,239,737
Finance costs	18	(2,022,969)	(2,359,370)
Loss for the year		(1,070,109)	(2,145,012)
Other comprehensive income:			
Gains and losses on property revaluation		-	47,132,440
Other comprehensive income (loss) for the year net of taxation		-	47,132,440
Total Comprehensive income		(1,070,109)	44,987,428

FINANCIAL POSITION

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

		March 31 2011	Restated March 31 2010
	Notes	BWP	BWP
ASSETS			
Non current assets			
Property, plant and equipment	2	73,674,478	75,670,664
Defined benefit asset	24	-	162,155
		73,674,478	75,832,819
Current assets			
Inventories	4	30,563,854	43,375,868
Trade and other receivables	5	61,687,110	30,047,549
Cash and cash equivalents	6	25,297,537	16,301,280
		117,548,501	89,724,697
TOTAL ASSETS		191,222,979	165,557,516
EQUITY AND LIABILITIES			
Equity			
Government equity	7	27,455,061	27,455,061
Reserves	7	72,855,768	74,467,001
Retained earnings		6,530,287	5,989,163
Total equity		106,841,116	107,911,225
Non-current liabilities			
Finance lease obligation	8	1,025,203	1,547,079
		1,025,203	1,547,079
Current liabilities			
Finance lease obligation	8	501,115	439,858
Defined Benefit Obligation	24	312,496	-
Trade and other payables	11	78,195,423	28,459,016
Deferred income	9	3,496,796	9,769,265
Provisions	12	850,829	-
Bank Overdraft	6	-	17,431,073
		83,356,660	56,099,212
Total liabilities		84,381,863	57,646,291
TOTAL EQUITY AND LIABILITIES		191,222,979	165,557,516

CHANGES IN EQUITY

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Notes	Government Equity	Revaluation Reserve	Stabilisation Fund	Development Fund	Total Funds And Reserves	Retained Earnings	Total Equity
Balance at 01 April 2009	27,455,061	17,760,916	9,017,668	1,000,000	27,778,584	7,527,997	62,761,642
Loss for the year as previously reported	-	-	-	-	-	(2,145,012)	(2,145,012)
Prior year adjustment ⁽²⁾	-	-	-	-	-	162,155	162,155
Loss for the year - adjusted	-	-	-	-	-	(1,982,857)	(1,982,857)
Other comprehensive income	-	47,132,440	-	-	-	-	-
Total comprehensive income	-	47,132,440	-	-	-	(1,982,857)	45,149,583
Amortisation of revaluation	-	(444,023)	-	-	(444,023)	444,023	444,023
Bal. at 31 March '10 - Restated 7	27,455,061	64,449,333	9,017,668	1,000,000	74,467,001	5,989,163	107,911,225
Loss for the year	-	-	-	-	-	(1,070,109)	(1,070,109)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(1,070,109)	(1,070,109)
Amortisation of revaluation	-	(1,611,233)	-	-	(1,611,233)	1,611,233	1,611,233
Balance at 31 March 2011 7	27,455,061	62,838,100	9,017,668	1,000,000	72,855,768	6,530,287	106,841,116

⁽²⁾ The prior period error relates to the presentation and disclosure of the defined benefit pension fund as prescribed by IAS 19 Employee Benefits. This disclosure was not included in the Board's financial statements from inception of the Board in 1974 to 2010. Hence the effect on the statement of comprehensive income and statement of financial position was not taken into account. This resulted in the misstatement of retained earnings, defined benefit obligation and defined benefit asset; and non-compliance with International Financial Reporting Standards. Adjustments have been processed to ensure that the valuation of the account balances affected is corrected. The overall effect of this restatement is the increase in retained earnings by P162,155 and the recognition of a defined benefit asset of the same amount. As required by IAS 19 paragraph 58, the Board's actuaries are responsible in terms of determining the future benefits to be derived from the pension fund.

This has been discussed with the Board's actuaries and they have advised that the prior year defined benefit asset must be recognised on the back of possible reductions in future contributions. The effect on the opening balance at 1 April 2009 has not been determined due to the fact that is impracticable in terms of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Retrospective adjustment is impracticable because the IAS 19 valuation reports were not obtained for 2008 to 2009 and due to time constraints relating to reporting BAMB has not been able to subsequently obtain the actuarial reports in order to correct this error.

CASH FLOWS

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

		March 31 2011	Restated March 31 2010
	Notes	BWP	BWP
Cash flows from operating activities			
Loss for the year		(1,070,109)	(2,145,012)
Adjustments for:			
Depreciation and amortisation		3,829,255	2,331,925
Defined benefit expense for the year		474,651	-
Deferred income utilised during the year		(6,272,469)	
Profit on sale of assets		(794,680)	-
(Profit)/Loss on foreign exchange		218,184	(385,197)
Finance income		(1,152,304)	(1,239,737)
Finance costs		2,022,969	2,359,370
Provisions		850,829	-
Changes in working capital:			
Inventories		12,812,014	7,172,780
Trade and other receivables		(31,639,561)	(433,378)
Trade and other payables		49,736,407	(2,740,062)
Cash generated from operations		29,015,187	4,920,689
Interest received		1,152,304	1,239,737
Interest paid		(2,022,969)	(2,247,552)
Net cash from operating activities		28,144,522	3,912,874
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,833,071)	(3,944,831)
Proceeds from disposal of property, plant and equipment		794,680	-
Net cash used in investing activities		(1,038,390)	(3,944,831)
Cash flows from financing activities			
Receipt of finance lease loan		-	1,783,207
Finance lease payments		(678,801)	-
Dividend paid		-	(2,192,411)
Net cash flows used in financing activities		(678,801)	(409,204)
Net increase in cash and cash equivalents		26,427,330	(441,161)
Cash and cash equivalents at beginning of year		(1,129,793)	(688,632)
Cash and cash equivalents at end of the year	7	25,297,537	(1,129,793)