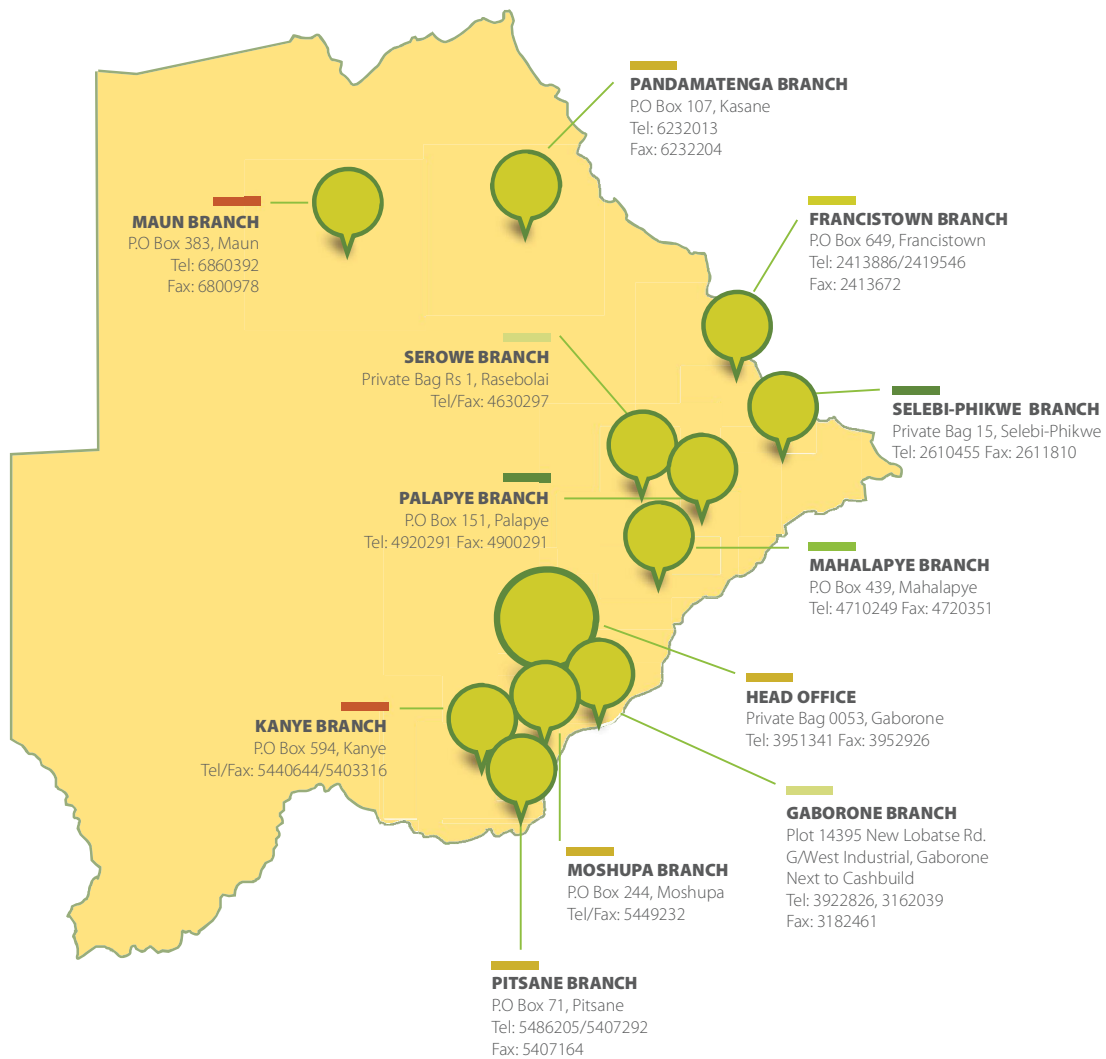




**ANNUAL REPORT** AND FINANCIAL ACCOUNTS



# GEOGRAPHICAL SPREAD



## GO ONLINE

THIS ANNUAL REPORT, TOGETHER WITH TRADING STATEMENTS, PRESENTATIONS AND PREVIOUS ANNUAL REPORTS, IS AVAILABLE AT [www.bamb.co.bw](http://www.bamb.co.bw)

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## ABOUT US

### 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

### VALUES

- **Innovation**
- **Integrity**
- **Teamwork**
- **Efficiency**
- **Botho**

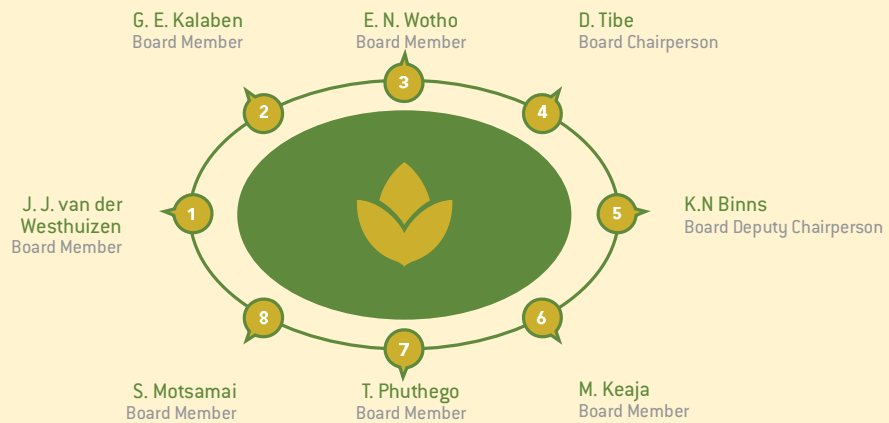
### PRODUCTS & SERVICES

BAMB offers the following to the farming community and consumers:

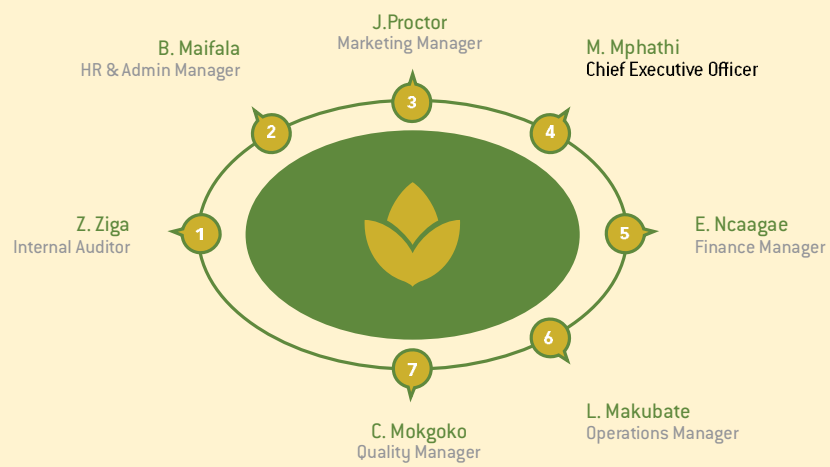
- **Agricultural Produce:** we provide a guaranteed market for locally grown arable produce such as:
  - **Cereals:** - sorghum, maize and millet.
  - **Cowpeas and Beans:** - Tswana cowpeas, Purple cowpeas, Black-eyed beans, White haricots, Jugo beans, Tepary beans and China peas.
  - **Oilseeds:** - groundnuts and sunflower.

- **Value Addition and Product Development:** we enhance marketing of locally produced agricultural products through value addition and product development i.e.
  - **BAMB Sunflower cooking oil:** extracted from sunflower seeds grown locally
  - **Sunflower Oil Cake:** a by-product of sunflower oil production
  - **Mosutlhane:** de-hulled sorghum grain with no added preservatives
  - **Ntlatlawane:** sorghum whole meal with no added preservatives
- **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.
- **Market Information:** BAMB provides market information to the farming community for locally grown rain-fed produce ahead of planting to guide them to plan their production. The information imparted typically includes, market opportunities in the grain industry, i.e crops that the market demands and price projections. Market information also helps farmers to access financial support for seasonal inputs from lending institutions.
- **Contract Farming:** BAMB searches for markets for specified crops and contracts farmers to produce them at agreed prices and quantities. This helps to minimize the exposure of contract farmers to price risks due to price fluctuations dictated by market conditions.
- **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.

# BOARD MEMBERS



## MANAGEMENT





## 1 | CHAIRPERSON'S REPORT |



**MR. D TIBE**  
Board Chairperson

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

Sir

As required by Section 17 (1) of the Botswana Agricultural Marketing Board (BAMB) Act, CAP. 74:06, I am grateful to present to you a report on the performance and operations of the Botswana Agricultural Marketing Board (BAMB) for the year ended 31st March 2012. The accounts were approved by the Board of Directors at its meeting held on the 5<sup>th</sup> July 2012.

### Financial Results

Audited accounts for year ended 31<sup>st</sup> March 2012 show a six percent increase in turnover from P209 million (2010/2011) to P222 million (2011/2012). Products that usually contribute a large part of BAMB sales such as sorghum and maize were in short supply and hence got depleted before year end. The growth in turnover was therefore largely attributable to an increase in sales of products that usually contribute marginally to turnover such as sunflower and pulses (beans and cowpeas). I wish to point out that the continuing growth in revenue demonstrated again this year is a positive sign indicative of a huge gap in the market for locally produced grain. The vast opportunities in the market for local produce affirm Government's efforts to promote the commercialisation of the arable sector.



The accounts also show a profit of P1, 142,968 for the year ended 31st March 2012 as compared to a loss of P1, 070,109 in the previous year. The modest profit position is largely due to narrow margins which BAMB achieved on the main products sold this year. In the case of sunflower oil, the margins were squeezed by the high cost of transporting sunflower seed from Pandamatenga to the processing plant in South Africa and repatriating the oil back to Botswana. For beans, BAMB had to import most of the stocks due to low production locally; hence margins were affected by unfavorable exchange rate movements. Regarding sorghum, BAMB was forced to import some stocks to bridge the supply gap at a time when prices were high and had to sell these into a reluctant market which also forced down margins.

#### **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 Messrs. K.N Monthe and B.A. Mpete ended and I would like to express my gratitude to them for having guided BAMB through its strategy.

#### **Future**

The year 2012 marks the first year of implementation of the BAMB three-year Strategic Plan (2011-2014) that guides business operations of the Botswana Agricultural Marketing Board (BAMB). As mentioned positive results in turnover are already being attained through the implementation of the strategy. This gives me confidence that with improvements in cost management and prudent allocation of resources, higher profitability and hence sustainability of BAMB will be achieved over the remainder of the plan period.



**Mr. David Tibe**  
**BOARD CHAIRPERSON**

## 2 | CHIEF EXECUTIVE OFFICER'S REPORT |



**MR. M MPHATHI**  
Chief Executive Officer

### OVERVIEW

The year ending March 31<sup>st</sup> 2012 marked the first year implementation of the three (3) year strategic plan of Botswana Agricultural Marketing Board (BAMB) which runs from 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2014.

The plan had projected a growth in BAMB business at an annual rate of ten (10) percent in the first year of implementation. However over the reporting period growth was subdued due to factors that include low levels of stocks delivered to BAMB due to drought, escalation of prices resulting in market resistance possibly due to reduction in customer buying power and resorting to more affordable substitutes.

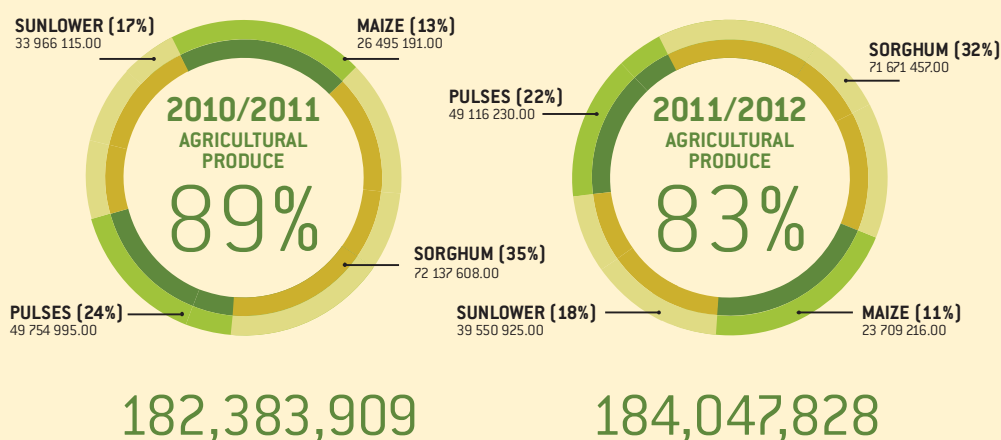
### FINANCIAL PERFORMANCE

#### Revenue

Revenue increased from P209 million in 2011 to P222 million in 2012 representing a 6% growth. BAMB revenue is derived from two principal sources; the sale of goods and management fees for the Strategic Grain Reserve (SGR) paid to BAMB by the Government of Botswana.

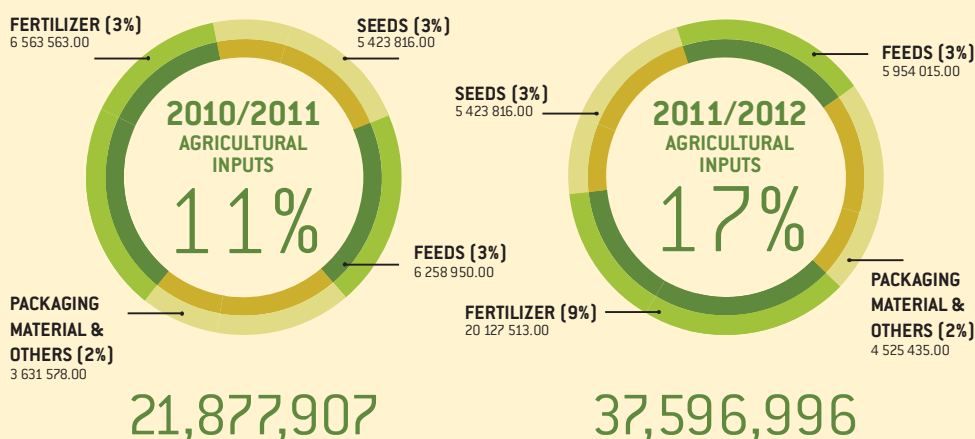
	2010/2011		2011/2012	
<b>Sale of goods</b>	204,231,816	97%	221,645,224	99.5%
<b>SGR Management Fees</b>	5,517,064	3%	1,003,431	0.5%
	209,748,880	100%	222,648,656	100%

Of the total revenue of P221, 645,224 derived from product sales during the reporting period, agricultural produce contributed 83% or P184,047,828, compared with 89% or P182,383,909 [2010/2011]. The contribution of agricultural produce to total sales has been distributed by product as shown below.



The slight decrease in the contribution of agricultural produce to sales was as a result of shortage of the main agricultural products traded by BAMB such as sorghum and maize over the reporting period due to low output from local sources and an increase in the contribution of inputs.

The contribution of agricultural inputs to sales is distributed by product as follows:



The agricultural inputs business is promising as evidenced by its growing contribution to sales. The utilisation of agricultural inputs (fertilisers and high performing seeds) by farmers is driven by an increase in the adoption of new farming technologies for increasing the production of grains in Botswana.

### Gross Profit

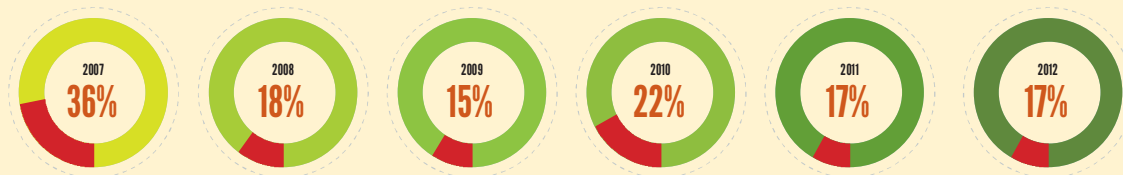
Trading in commodities is typically a narrow margin business as it is exposed to unstable markets. At 16.2% profit margins were lower than the target margin of 22% due to a varied range of factors for each of the major crops.

- Sunflower - Margins on the 11,000 metric tons (mt) sunflower sold were affected by the high cost of transporting sunflower seed from Pandamatenga to a processing plant in South Africa and repatriating the oil back to Botswana.
- Beans - BAMB had to import about 7,500 mt of sugar beans because local production of beans was insignificant despite the fact that being drought tolerant beans ought to be a more reliable crop for Botswana conditions. The import of beans came at a high cost and exposed BAMB to adverse price movements which narrowed the margins as most of the stocks were sold at prices which were locked onto at tendering stage, long before the products were actually delivered.
- Sorghum - Stocks got depleted before harvest and this forced BAMB to import to bridge the supply gap at a time when market prices were high. Margins were forced down because buyers were reluctant to buy the product at high prices, and were apparently opting for substitutes.

### Net Profit

Audited accounts reflect a modest profit of P1,142,968, which is an improved outcome compared with a net loss of P1,070,109 in the previous year. The modest net profit position is attributable to a firm control of operational cost which resulted in maintaining the cost to sales ratio at 17%.

#### Cost to Sales Ratio



### OPERATIONAL PERFORMANCE

#### Grain Purchases

BAMB was set up primarily to market local produce hence the amount of grains produced locally has a bearing on its performance. During the 2011/2012 harvesting season BAMB purchased 33,787 mt of assorted grains locally which is 3% higher than the previous year. With exception of sunflower and maize, quantities of other major crops are far below the previous year's purchases.

Product	Quantity Purchased (Mt)			
	2008/2009	2009/2010	2010/2011	2011/2012
Sorghum	15,539	22,679	23,803	11,540
Maize	6,773	5,337	6,898	9,317
Sunflower	7,000	69	23	11,437
Pulses	130	407	1,202	953
Millet		104	159	520
<b>Total</b>	<b>29,442</b>	<b>28,596</b>	<b>32,805</b>	<b>33,767</b>

To supplement local produce in 2011/2012, BAMB imported about 9,000 mt of sorghum from South Africa and 1,800 mt from Australia as well as 5062 mt sugar beans from South Africa. It should be noted that the combined quantities (locally purchased produce and imported) constituted only 15% of local demand. This shows that the market for these products is ample, which means that opportunities abound for growth of the BAMB business and for farmers to increase their production and their earnings from farming.

#### *Agricultural Inputs Supply*

	2008/2009	2009/2010	2010/2011	2011/2012
<b>Fertilisers (Mt)</b>	<b>3,500</b>	<b>7,996</b>	<b>2,780</b>	<b>3,927</b>
<b>Seeds</b>	<b>500</b>	<b>700</b>	<b>499</b>	<b>688</b>

As the sales figures reflect, the amounts of inputs sold have increased from the previous year sales. A steady increase in the sale of these inputs is expected to increase over the next few years as these products are a crucial component of Government's effort to increase grain supplies from local sources. They are supplied as 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.

#### *Market Related Producer Prices*

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

As a net importer of grain, Botswana is exposed to external market conditions since imports directly compete with local produce because agro-processors/ millers are free to import, if it is cheaper for them to do so. For local produce to compete with imports BAMB is forced to set producer (buying) prices at par with imports using the South African Futures Exchange (SAFEX) as a benchmark. However it sometimes happens that when local produce is of a higher quality than imports, BAMB sets buying prices for local produce above the market.

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. Producer prices for 2011/2012 harvesting season, showed an upward movement for sorghum, maize and sunflower. This was largely due to low production in the region. For illustrative purpose producer prices for between 2008 and 2012 ranged as follows:

PRODUCT	PRODUCER AND CONTRACT PRODUCTION PRICE (Pula/Mt)			
	2008/2009	2009/2010	2010/2011	2011/2012
<b>Sorghum</b>	1,550-1,900	1,650-1,700	1,300 – 1,700	1,482- 2,024
<b>Millet</b>	1,600-2,600	2,600-2,600	2,600 – 3,000	3,000-3,000
<b>Maize (White/Yellow)</b>	1,700-1,800	1,300-1,500	1,100-1,420	1,432- 1,983
<b>Sunflower</b>	1,182-3,540	806-1,213	1,702-3,150	2,992- 3,350
<b>Groundnuts &amp; Jugo Beans</b>	5,000-7,000	7,000-7,000	8,000-8,000	8,000-8,000
<b>Cowpeas and Beans</b>	5,000-6,800	6,000-7,000	6,000-7,200	6,000- 7,200

#### Contract Farming

Under this scheme BAMB contracts farmers to produce certain crops that are in demand in the market at agreed prices and quantities ahead of planting. This helps to minimize the farmer's exposure to price risks due to price fluctuations dictated by the market. To further make these contracts more attractive they are minimum price contracts, meaning that at the time of delivery BAMB pays a contract farmer at whichever is higher; the contract price or the market price. To further build confidence in contracts and encourage contract farmers to deliver whenever their crops are ready, BAMB pays the contract farmer the highest price of the harvest period, ie. between May and September, in the form of ex-gratia payment.

In the 2011/2012 ploughing/planting season BAMB signed production contracts for the supply of 40,479 Mt of sorghum, millet and a variety of cowpeas and beans as compared with 39,986 Mt in the previous year.

	2008/2009	2009/2010	2010/2011	2011/2012
<b>Contracted Quantities (Mt)</b>	18,874	38,206	39,986.00	40,479
<b>Number of Farmers</b>	26	35	62	80
• <b>Pandamatenga</b>	18	18	18	28
• <b>Southern Farmers</b>	8	18	44	52

Unlike between 2008/2009 and 2009/2010 the increase in quantities contracted has slowed down in the last three years. To further increase quantities contracted and to spread the benefit of contract farming BAMB intends to intensify its promotional drive by interacting with the farming community more closely by attending Farmers' Committee meetings, Field Days, Trade Fairs/Exhibitions, revamp the website and through available mass media opportunities.

### CUSTOMER SERVICE

In order to increase its market share in the local grain industry, BAMB is embarking on developing a Branding Strategy which is envisaged to improve and satisfy BAMB customers being farmers and millers. The strategy will encompass the following areas:

- **Development of Agribusiness Model:** BAMB as the main player in the local grain industry is developing an Agribusiness model which will stimulate local production with the view of reducing importation of grains in Botswana. This will go a long way in meeting the long term goal of government to achieve the Economic Diversification Drive (EDD) and import substitution.
- **Implementation of Quality Management System:** The second phase of the development and implementation of a Quality Management System which entails documentation of business processes has commenced. 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. By implementing QMS the Board aims to improve efficiency of its business processes, so as to provide consistent service across its branches and other business areas.

### CORPORATE SOCIAL INVESTMENT

Botswana Agricultural Marketing Board (BAMB) has established 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 included participation at the Cheshire Foundation's annual sponsored walk fundraiser, donation of blankets and food supplies to students of Cheshire Foundation, and connection of a stand pipe for registered destitute in Palapye.

### HUMAN RESOURCE MANAGEMENT

Over the reporting period, staff turnover was fairly low as seven (7) resignations in a staff complement of 146 were recorded.

To improve staff retention BAMB participates in a remuneration and salary survey on an annual basis to establish whether BAMB salaries are aligned to the market. BAMB also intends to develop and implement a more comprehensive staff retention strategy covering welfare, skills alignment and talent management programmes between now and 31<sup>st</sup> March 2014.

### CORPORATE GOVERNANCE

Botswana Agricultural Marketing Board is committed to safeguarding strong corporate governance throughout the Board. This involves participation of Board of Directors in overseeing BAMB performance and providing strategic leadership, guidance and supervision to management. To achieve this, the Board meets management on quarterly basis and regularly reports the organization's activities to Government.



To assist the Board of Directors in furthering its mandate the Marketing and Communication Committee has been established to complement the existing Board Committees.

#### *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.

#### *Marketing and Communication Committee*

The Marketing and Communication Committee responsibility involve overseeing and guiding BAMB management on issues of Marketing and Communications. This has been prompted by the fact that BAMB envisaged to be positioned as a world class market for agricultural products and services.

#### *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.

Over the reporting period, the Board was joined by two New Board members Mr. K.N. Binns and Ms S. Motsamai replacing Messrs. K.N. Monthe and B.A. Mpete who retired from the Board.

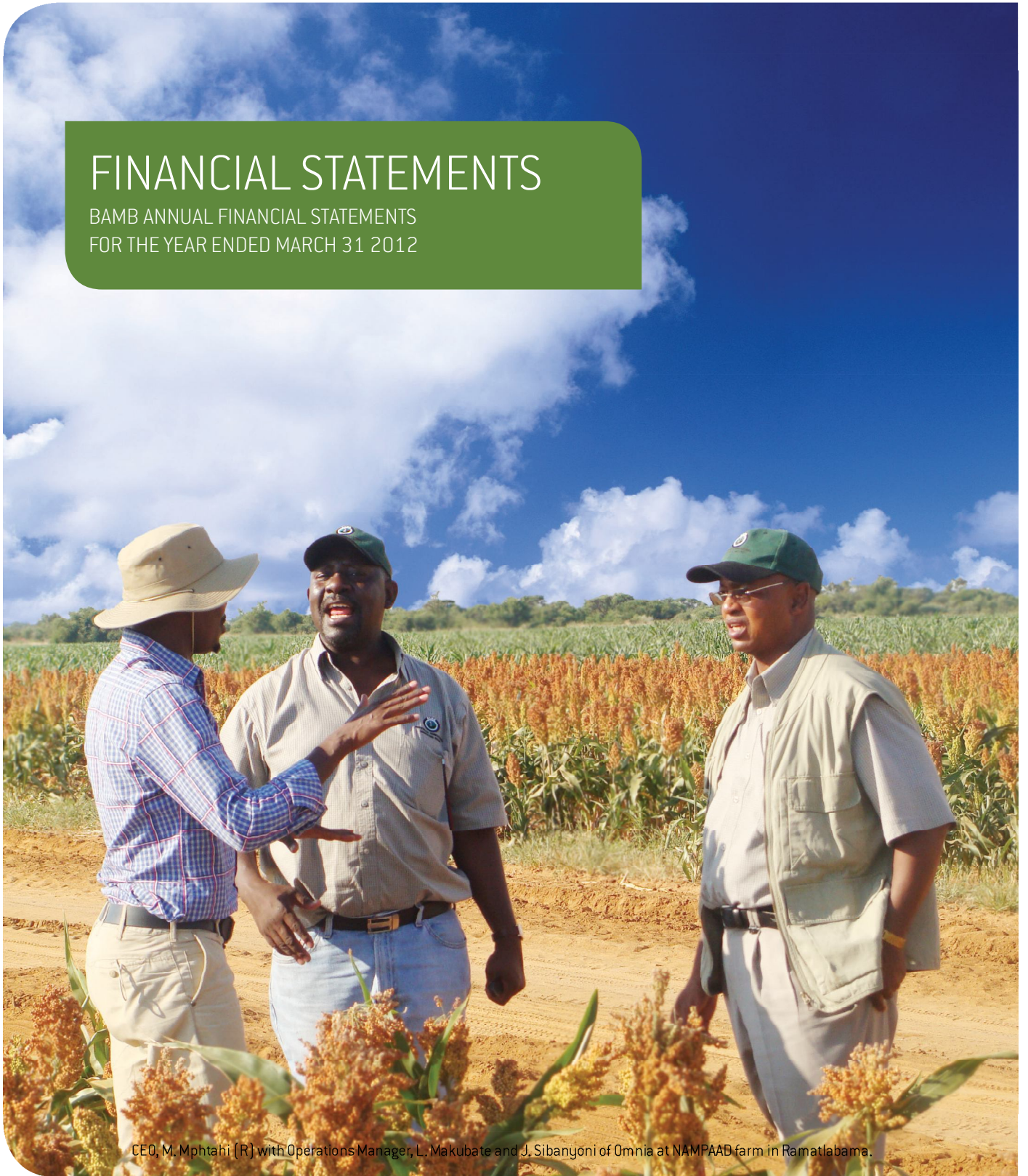
## MEETINGS AND ATTENDANCE

of the Board and its sub-committees were as follows:



# FINANCIAL STATEMENTS

BAMB ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31 2012



CEO, M. Mphahlele (R) with Operations Manager, L. Makubate and J. Sibanyoni of Omnia at NAMPAAD farm in Ramatlabama.

## GENERAL INFORMATION

### BOTSWANA AGRICULTURAL MARKETING BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

**Country of Incorporation and Domicile:**

Botswana

**Nature of business and principal activities:**

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.

**Members of the Board**

D M Tibe (Chairperson)  
K N Binns (Deputy Chairperson)  
K N Manthe  
B A Mpete  
M Keaja  
J van der Westhuizen  
E N Wotho  
G Kalaben  
T Phuthego  
S Motsamai

**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

**Auditor:**

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**

The annual financial statements for the year ended 31 March 2012, which have been prepared on the going concern basis, were approved by the members of the Board on 5th July 2012 and were signed on its behalf by:



**DIRECTOR**

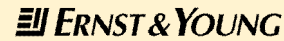


**DIRECTOR**

**DATE** 5th July 2012



## 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, 2012, 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 38.

**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.

**Auditor's responsibility**

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Botswana Agricultural Marketing Board as at 31 March, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

Ernst & Young  
Certified Auditors  
Practicing Member: Bakani Ndwapi (19980026)

DATE: 12 July 2012  
GABORONE

## STATEMENT OF COMPREHENSIVE INCOME

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

		March 31 2012	March 31 2011
	Notes	BWP	BWP
<b>Revenue</b>	14	222,648,656	209,421,245
Costs of sales	15	(186,511,924)	(176,254,855)
<b>Gross Profit</b>		<b>36,136,732</b>	<b>33,166,390</b>
Other income		2,036,437	3,161,250
Operating expenses	16	(37,809,326)	(37,937,363)
<b>Operating (loss) / profit</b>	<b>16</b>	<b>363,843</b>	<b>(1,609,723)</b>
Finance income	17	1,302,813	1,152,304
Finance costs	18	(523,687)	(612,690)
<b>Profit / (Loss) for the year</b>		<b>1,142,969</b>	<b>(1,070,109)</b>
<b>Other comprehensive income:</b>			
Gains and losses on property revaluation		9,894,297	-
<b>Other comprehensive income (loss) for the year net of taxation</b>		<b>9,894,297</b>	<b>-</b>
<b>Total Comprehensive income</b>		<b>11,037,266</b>	<b>(1,070,109)</b>

## STATEMENT OF FINANCIAL POSITION

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

		March 31 2012	March 31 2011
	Notes	BWP	BWP
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	2	82,577,097	73,674,478
		<b>82,577,097</b>	<b>73,674,478</b>
<b>Current assets</b>			
Inventories	4	57,230,098	30,563,854
Trade and other receivables	5	27,215,492	61,687,110
Cash and cash equivalents	6	55,502,785	25,297,537
		<b>139,948,375</b>	<b>117,548,501</b>
<b>TOTAL ASSETS</b>		<b>222,525,472</b>	<b>191,222,979</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Government equity	7	27,455,061	27,455,061
Reserves	7	81,179,112	72,855,768
Retained earnings		8,948,284	6,530,287
<b>Total equity</b>		<b>117,582,457</b>	<b>106,841,116</b>
<b>Non-current liabilities</b>			
Finance lease obligation	8	344,457	1,025,203
		344,457	1,025,203
<b>Current liabilities</b>			
Finance lease obligation	8	617,650	501,115
<b>Defined Benefit Obligation</b>	24	362,228	312,496
Trade and other payables	11	99,987,675	78,195,423
Deferred income	9	2,630,175	3,496,796
Provisions	12	1,000,830	850,829
		<b>104,598,558</b>	<b>83,356,660</b>
<b>TOTAL LIABILITIES</b>		<b>104,943,014</b>	<b>84,381,863</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>222,525,472</b>	<b>191,222,979</b>



## STATEMENT OF CHANGES IN EQUITY

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

Notes	Government Equity	Revaluation Reserve	Stabilisation Fund	Development Fund	Retained Earnings	Total Equity
As at 01 April 2011	27,455,061	62,838,100	9,017,668	1,000,000	6,530,287	106,841,116
<b>Profit for the period</b>	-	-	-	-	847,044	847,044
Other comprehensive income	-	9,894,297	-	-	-	9,894,297
Total comprehensive income	-	9,894,297	-	-	847,044	10,741,341
Depreciation transfer	-	(1,570,953)	-	-	1,570,953	-
<b>As at 31 March 2012</b>	<b>27,455,061</b>	<b>71,161,444</b>	<b>9,017,668</b>	<b>1,000,000</b>	<b>8,948,284</b>	<b>117,582,457</b>

## STATEMENT OF CHANGES IN EQUITY

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2011

Notes	Government Equity	Revaluation Reserve	Stabilisation Fund	Development Fund	Retained Earnings	Total Equity
As at 01 April 2010	27,455,061	64,449,333	9,017,668	1,000,000	5,989,163	107,911,225
Loss for the period	-	-	-	-	(1,070,109)	(1,070,109)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(1,070,109)	(1,070,109)
Depreciation transfer	-	(1,611,233)	-	-	1,611,233	-
<b>As at 31 March 2011</b>	<b>27,455,061</b>	<b>62,838,100</b>	<b>9,017,668</b>	<b>1,000,000</b>	<b>6,530,287</b>	<b>106,841,116</b>

## STATEMENT OF CASH FLOWS

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

		March 31 2012	<i>Restated</i> March 31 2011
	Notes	BWP	BWP
<b>Cash flows from operating activities</b>			
Profit / (Loss) for the year		1,142,969	(1,070,109)
<b>Adjustments for:</b>			
Depreciation	16	2,493,625	3,829,255
Bad debts expense		1,086,503	1,410,279
Net defined benefit expense		865,571	1,117,064
Deferred income utilised during the year	9	(866,621)	(6,272,469)
(Profit)/Loss on foreign exchange		(408,420)	56,234
Profit on sale of assets		(147,589)	(794,680)
Finance income	17	(1,302,813)	(1,152,304)
Finance costs	18	523,687	612,690
Provisions	12	150,000	850,829
<b>Changes in working capital:</b>			
Increase / (Decrease) in inventories		(26,666,244)	12,812,014
Decrease / (Increase) in trade and other receivables		34,471,618	(31,639,561)
Increase in trade and other payables		21,792,252	49,736,407
<b>Cash generated from operations</b>		<b>33,134,536</b>	<b>29,495,649</b>
Interest received	17	1,302,813	1,152,304
Interest paid		(932,952)	(2,022,969)
Contributions paid to the defined benefit pension		(815,839)	(642,413)
<b>Net cash from operating activities</b>		<b>32,688,558</b>	<b>27,982,571</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(1,516,738)	(1,833,071)
Proceeds from disposal of property, plant and equipment		148,000	794,680
<b>Net cash used in investing activities</b>		<b>(1,368,738)</b>	<b>(1,038,390)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments	8	(678,801)	(678,801)
<b>Net cash flows used in financing activities</b>		<b>(678,801)</b>	<b>(678,801)</b>
Net increase in cash and cash equivalents		30,641,018	26,265,380
Net foreign exchange difference		(435,771)	161,950
Cash and cash equivalents at beginning of year		25,297,537	(1,129,793)
<b>Cash and cash equivalents at end of the year</b>	<b>6</b>	<b>55,502,785</b>	<b>25,297,537</b>

# 1. NOTES TO THE FINANCIAL STATEMENTS

## SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of 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 items which are measured at fair value, and incorporate the principal accounting policies set out below. The functional and presentation currency of the Board is the Botswana Pula.

These accounting policies are consistent with the previous period, except for the changes set out in note 17 Changes in Accounting Policy.

### 2. 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:

#### 2.1 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.

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

An allowance for stock is raised to write 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.

#### 2.3 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 residual value assumption may change which may then impact the estimations and may then require a material adjustment to the carrying value of the assets.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

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 assets are inherently uncertain and could materially change over time.

#### 2.4 Provisions

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when it is virtually certain that reimbursement will be received if the Board settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

#### 2.5 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.

#### 2.6 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.

### 3 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.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

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

Any increase in the buildings' carrying amount, as a result of a revaluation, is recorded in other comprehensive income and hence in the revaluation reserve 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.

A revaluation deficit is recognised in profit or loss in the current period, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Item	Average useful life
Land & Buildings	40 years
Furniture & Fitting	3 - 5 years
Motor Vehicles	3 - 5 years
Plant and machinery	5 years

The residual value, useful life of each asset and, depreciation methods are reviewed at each financial period-end, and adjusted prospectively if appropriate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

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

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. Property, plant and equipment may be derecognised when either the item of property plant and equipment is disposed of or no future economic benefits are expected from its use or disposal. 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.

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

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 4 Financial instruments

The Board classifies financial assets and 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.

##### 4.1 Initial recognition

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

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

##### 4.2 Subsequent measurement

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

Financial liabilities are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account all premiums and discounts as well as costs that are an integral part of the effective interest rate and the amortisation arising from the application of the effective interest rate is recorded as finance costs in profit or loss.

##### 4.3 Loans to employees

These financial assets are classified as loans and receivables and are included under trade receivables as "Employee costs paid in advance".

##### 4.4 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



## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the profit and loss.

Trade and other receivables are classified as loans and receivables.

#### 4.5 Trade and other payables

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

#### 4.6 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 recorded at fair value and subsequently measured at amortised cost.

#### 4.7 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.

#### 4.8 Impairment of financial assets

At each reporting date the Board assesses all financial assets, other than those at fair value through profit and loss, to determine whether there is objective evidence that a financial asset or a 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 and 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 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.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within finance costs. When such assets are written off, the write off is made

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against finance costs.

#### 4.9 Derecognition

The Board derecognises financial assets when the contractual rights to the cash flows from the financial asset expire; or when the Board transfers the financial asset out.

When the Board transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset.

A financial asset is derecognised when:-

- 1) The rights to receive cash flows from the asset have expired;
- 2) The Board has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and;
- 3) Either (a) the Board has transferred substantially all the risks and rewards of the asset, or (b) the Board has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Board has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Board's continuing involvement in the asset.

In that case, the Board also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Board has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Board could be required to repay.

The Board derecognises financial liabilities when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

#### 4.10 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- 1) There is a currently enforceable legal right to offset the recognised amounts and;
- 2) There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 5 Taxation

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).

#### 6 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.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

##### 6.1 Finance leases - lessee

Finance leases are recognised as assets and liabilities at the commencement of the lease term 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 interest on the remaining balance of the liability.

Finance lease assets (lessee) are depreciated over its useful life, unless where there is no certainty that ownership will pass to the Board at the end of the lease term, in which case the asset will be depreciated over the shorter of its useful life and the lease term.

#### 7 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Board's inventory comprises of scheduled produce i.e. maize, sun flower, sun flower, sorghum etc.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 8 Impairment of non-financial assets

The Board assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Board estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

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

Fair value less costs to sell is based on recent market transaction prices less costs that the Board assess will be required to be incurred in order to sell the asset.

Value in use is determined by discounting projected cash flows for the asset. The rate used to discount the cash flows is the real risk free rate i.e. government bond rate adjusted for the uncertainty of the projected cash flow.

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

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

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

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

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

#### 9 Government equity

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

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 10 Government grants/deferred income

Government grants are recognised when there is reasonable assurance that:

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

##### 10.1 Government grants related to assets

These are government grants whose primary condition is that for the Board to qualify for them the Board should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.

The Board presents the grant in the statement of financial position by setting up the grant as deferred income.

The cost of deferred income utilised during the year is written off as an expense in profit or loss and this is deducted from the deferred income balance.

##### 10.2 Government grants related to income

These are government grants other than those related to assets.

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 Board with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to income are presented as income in 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.

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.

#### 11 Employee benefits

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 11.1 Short-term employee benefits

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

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

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

#### 11.2 Defined benefit plans

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

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

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

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested. Actuarial gains and losses are recognised in full in profit and loss in the period in which they arise.

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 reduced by the fair value of plan assets.

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

#### 12 Provisions and contingencies

Provisions are recognised when:

- the Board has a present obligation (legal or constructive) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

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.

Where the Board expects some or all of the expenditure required to settle a provision to be reimbursed by another party if the Board settles the obligation. The reimbursement shall be treated as a separate asset if the receipt is virtually certain. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Contingent assets and contingent liabilities are not recognised, but are disclosed in the notes to the financial statements.

### 13 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 sale of scheduled produce can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

Revenue is recognised at the fair value of consideration received. Revenue generated from the sale of scheduled produce is recognised on receipt of cash from customers. The Board sells scheduled produce on a daily basis i.e. sugar beans, sorghum, sunflower etc.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

Service fees including management fees for the Strategic Grain Reserve, if any, are recognised as revenue over the period during which the service is performed. The Board derives management fees from managing the reserves of 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.

#### 14 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 in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

#### 15 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 Board on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 16 Foreign currency transactions

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

At each reporting date:

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

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

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

#### 17 Changes in accounting policies

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

The Board has adopted the following new and amended IFRS and IFRIC interpretations during the period. Adoption of these revised standards and interpretations did not have any financial effect on the financial statements of the Board. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies. Only those amendments that impact the Board have been disclosed.

New and amended IFRS and IFRIC interpretations effective as of 01 April 2011:

IAS 24 Related Party Disclosures (revised) effective 1 January 2011

IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010

IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

The adoption of the standards or interpretations is described below:

#### **IAS 24 Related Party Transactions (Amendment)**

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity.

In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Board.

#### **IAS 32 Financial Instruments: Presentation (Amendment)**

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Board because the Board does not have these type of instruments.

#### **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)**

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The amendment has had no effect on the financial position or performance of the Board.

#### **IAS 32 Financial Instruments: Presentation - Classification of Rights Issues**

The amendment alters the definition of a financial liability in IAS 32. It classifies certain rights issues, options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

The Board did not enter into any rights issue, options or warrants which would be affected by this amendment. The standard will not have any effect on the Board's financial position or performance. The amendment is effective for financial years beginning on or after 01 February 2010.

#### **Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Board's financial statements are listed below. This listing of standards and interpretations issued are those that the Board reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Board intends to adopt these standards when they become effective.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### **IAS 12 Income Taxes – Recovery of Underlying Assets**

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The standard has no impact the reported financial performance of the Board because the Board is tax exempt. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

#### **IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements**

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Board's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

#### **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Board is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

#### **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard will have an effect on the classification and measurement of the company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The amendment affects disclosure only and has no impact on the Board's financial position or performance. The standard is effective for annual periods beginning on or after 1 January 2015.

#### **IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income**

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon Derecognition or settlement) would be presented separately from items that will never be reclassified.

The amendment affects presentation only and there will be no impact on the Board's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### **IFRS 10 Consolidated Financial Statements**

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The amendment affects disclosure only and has no impact on the Board's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

#### **IFRS 12 Disclosure of Involvement with Other Entities**

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The amendment affects disclosure only and has no impact on the Board's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. PROPERTY, PLANT AND EQUIPMENT 2012

	Land and Buildings	Furniture and Fixtures	Motor vehicles	Plant and Machinery	Total Pula
<b>Cost</b>					
At beginning of year	70,992,363	913,112	6,634,950	6,272,610	84,813,035
Additions	113,421	23,460	1,036,160	343,697	1,516,738
Revaluation	359,167	202,611	3,515,917	359,000	4,436,695
Disposals	-	(192,364)	(228,909)	(2,291,372)	(2,712,645)
<b>At end of year</b>	<b>71,464,951</b>	<b>946,819</b>	<b>10,958,118</b>	<b>4,683,935</b>	<b>88,053,823</b>
<b>Accumulated Depreciation</b>					
At beginning of year	1,830,481	761,893	4,077,750	4,468,433	11,138,557
Charge for the year	1,780,122	25,177	77,672	625,764	2,508,735
Revaluation	(42,800)	(553,212)	(3,800,017)	(1,062,303)	(5,458,332)
Disposals	-	(192,363)	(228,909)	(2,290,962)	(2,712,234)
<b>At end of year</b>	<b>3,567,803</b>	<b>41,495</b>	<b>126,496</b>	<b>1,740,932</b>	<b>5,476,726</b>
<b>Carrying amount</b>					
At beginning of year	69,161,882	151,218	2,557,200	1,804,177	73,674,478
<b>At end of year</b>	<b>67,897,148</b>	<b>905,324</b>	<b>10,831,622</b>	<b>2,943,003</b>	<b>82,577,097</b>

### PROPERTY, PLANT AND EQUIPMENT 2011

	Land and Buildings	Furniture and Fixtures	Motor vehicles	Plant and Machinery	Total Pula
<b>Cost</b>					
At beginning of year	70,849,900	885,336	5,926,509	5,481,131	83,142,876
Additions	142,463	27,776	871,353	791,479	1,833,071
Disposals	-	-	(162,912)	-	(162,912)
<b>At end of year</b>	<b>70,992,363</b>	<b>913,112</b>	<b>6,634,950</b>	<b>6,272,610</b>	<b>84,813,035</b>
<b>Accumulated Depreciation</b>					
At beginning of year	-	612,319	3,114,820	3,745,073	7,472,212
Charge for the year	1,830,481	149,574	1,125,842	723,360	3,829,257
Disposals	-	-	(162,912)	-	(162,912)
<b>At end of year</b>	<b>1,830,481</b>	<b>761,893</b>	<b>4,077,750</b>	<b>4,468,433</b>	<b>11,138,557</b>
<b>Carrying amount</b>					
At beginning of year	70,849,900	273,017	2,811,689	1,736,058	75,670,664
<b>At end of year</b>	<b>69,161,882</b>	<b>151,218</b>	<b>2,557,200</b>	<b>1,804,177</b>	<b>73,674,478</b>

#### Revaluation of assets during the 2012 financial year

Assets were revalued by the Board effective 31 March 2012 which resulted in a revaluation gain of P9.89 million (2011: P0.00). The revaluation of land was performed by Botswana National Railways. Motor vehicles and plant & machinery were revalued by expert valuers in Botswana i.e. Naledi Motors (Pty) Ltd, Broadhurst Motors (Pty) Ltd, Commercial Motors (Pty) Ltd, Motor Holdings Gaborone, Scania Botswana (Pty) Ltd and KIA Motors (Pty) Ltd. The revaluation of office furniture was based performed by management. The revaluations were performed by independent valuers based on fair values with the exception of furniture which was valued by management. Leased assets have been pledged as security for the related finance lease liabilities stated in note 8.

## NOTES TO THE FINANCIAL STATEMENTS

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP

### 3 FINANCIAL ASSETS BY CATEGORY

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

2012	Loans and Receivables	Total
Cash and cash equivalents	55,502,785	55,502,785
Trade and other receivables	27,215,492	27,215,492
	<b>82,718,277</b>	<b>82,718,277</b>

2011	Loans and Receivables	Total
Cash and cash equivalents	25,297,537	25,297,537
Trade and other receivables	61,687,110	61,687,110
	<b>86,984,647</b>	<b>86,984,647</b>

The carrying value less impairment provision of trade receivables and cash and cash equivalents are assumed to approximate their fair values.

### 4 INVENTORIES

Merchandise	67,681,161	34,554,489
Inventory write-downs	(10,451,063)	(3,990,635)
	<b>57,230,098</b>	<b>30,563,854</b>

The Board maintains Strategic Grain Reserves (SGR) on behalf of the government of Botswana. The values of the inventories are excluded from the year end inventory value recorded in the books of the Board. These are separately recorded in the financial records of the Strategic Grain Reserve. The Reserve's inventory balance at reporting date was valued at P0.00 (2010: 20,976,209). The inventories held by the Board are sorghum, maize, pulses, fertilizers and seeds.

### INVENTORY PLEDGED AS SECURITY

Inventories are pledged as security for the Board's overdraft limits. The current year overdraft limit was set at P20million with an outstanding balance of P99,456 (2011: P2,131,411) at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

### BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP
<b>5 TRADE AND OTHER RECEIVABLES</b>		
Employee costs paid in advance	906,270	987,177
Other receivables	-	60,754
Prepayments	1,025,470	717,765
Trade receivables	28,023,323	62,225,110
Provision for doubtful debts	(2,739,571)	(2,303,696)
	<b>27,215,492</b>	<b>61,687,110</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of loan mentioned above. The employee costs paid in advance are loans advanced to the Board's employees. These are paid on a monthly basis and do not bear any interest. The carrying value less impairment provision of trade receivables is assumed to approximate their fair values due to their short term nature. The fair value of financial assets 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, unless the carrying value of the assets or liabilities are deemed to approximate their fair value.

The impairment provision is made based on the review of an individual debtors current credit situation, past performance and other factors.

#### 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, 2012, P0.00 (2011: P61 708 519) were past due but not impaired. These debts are expected to be realised. The Board has assessed the credit worthiness of the debts and has concluded that the debts are realisable.

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

1 month past due	523,504	43,976,815
2 months past due	1,732,998	9,248,088
3 months past due	1,534,462	185,544
More than 3 months past due	4,037,520	8,298,072
	<b>7,828,484</b>	<b>61,708,519</b>

Trade and other receivables which are current and are neither past due nor impaired amount to P19,387,008 (2011: P929 185).

#### Trade and other receivables impaired

As of 31 March, 2012, the trade and other receivables of P2 739 571 (2011: P2 303 696) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	2,739,571	2,303,696
	<b>2,739,571</b>	<b>2,303,696</b>

## NOTES TO THE FINANCIAL STATEMENTS

### BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP
<b>5 TRADE AND OTHER RECEIVABLES</b>		
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	2,303,696	893,417
Additional amounts raised	435,875	1,410,279
	<b>2,739,571</b>	<b>2,303,696</b>

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss (Note 16). The Board does not hold any collateral as tangible security.

In order to establish whether trade receivables were impaired the Board assesses the payment history as well as the length of time that the debt had been outstanding.

### 6 CASH AND CASH EQUIVALENTS

Bank balances	547,361	9,219,716
Cashbook overdraft	(99,456)	(2,131,411)
Cash on hand	92,035	144,405
Short term deposits	54,962,845	18,064,827
	<b>55,502,785</b>	<b>25,297,537</b>

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

Botswana Pula Overdraft facility of P20million 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.

United States Dollars letter of credit facility limit of USD2million to be utilised for securing various guarantees in favour of Government of Botswana and fees for this facility will be based on 1% of the value of the guarantee issued.

Botswana Pula guarantee facility limit of P11million is to be utilised for issuance of various guarantees in favour of the Government of Botswana and fees for this facility will be based on 1% of the value of the guarantee issued.

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.



## NOTES TO THE FINANCIAL STATEMENTS

### BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP
<b>7 EQUITY AND RESERVES</b>		
<b>Government Equity</b>		
Equity Capital	27,455,061	27,455,061
	<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).

#### Revaluation Reserve

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

At the beginning of the year	62,838,100	64,449,333
Amortised during the year	(1,570,953)	(1,611,233)
Surplus during the year	9,894,297	-
	<b>71,161,444</b>	<b>62,838,100</b>

#### 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 to the 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	9,017,668
<b>At end of the year</b>	<b>9,017,668</b>	<b>9,017,668</b>

## NOTES TO THE FINANCIAL STATEMENTS

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP
<b>7 EQUITY AND RESERVES</b>		
<b>Development Fund</b>		
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 to the 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
	<b>1,000,000</b>	<b>1,000,000</b>
<b>8 FINANCE LEASE OBLIGATION</b>		
<b>Minimum lease payments due</b>		
- within 1 year	855,976	694,475
- in second to fifth year inclusive	477,368	1,420,786
	1,333,344	2,115,261
less: future finance charges	(371,237)	(588,943)
<b>Present value of minimal lease payments</b>	<b>962,107</b>	<b>1,526,318</b>
<b>Present value of minimal lease payments due</b>		
- within 1 year	617,650	501,115
- in second to fifth year inclusive	344,457	1,025,203
	<b>962,107</b>	<b>1,526,318</b>
Finance lease payments made during the year	678,801	678,801
	<b>678,801</b>	<b>678,801</b>
<b>Financial statement disclosure:</b>		
Non-current liabilities	344,457	1,025,203
Current liabilities	617,650	501,115
	<b>962,107</b>	<b>1,526,318</b>

The Board has a Botswana Pula lease facility of P4 million with Standard Chartered bank which is to be utilised specifically 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 assets financed out of the lease. The finance lease obligation disclosed in Note 8 above has been drawn down from the lease facility held with Standard Chartered Bank Botswana.

## NOTES TO THE FINANCIAL STATEMENTS

### BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP

#### 8 FINANCE LEASE OBLIGATION

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

The average lease term was 3-5 years and the average effective borrowing rate was 2% below prime rate. (2011: 2% below prime rate). Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for payment of contingent rent.

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

Refer note 2.

<b>Motor vehicles</b>	<b>2,408,000</b>	<b>991,277</b>
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#### 9 DEFERRED INCOME

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

Opening balance	3,496,796	9,769,265
Utilised balance during the year	(866,620)	(6,272,469)
	<b>2,630,176</b>	<b>3,496,796</b>

#### 10 DIVIDENDS 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. A dividend of P211,761 (2011: P0.00) will be paid to the Government in the 2013 financial year since the Board made a profit.

#### 11 TRADE AND OTHER PAYABLES

Trade payables	95,052,930	74,122,318
Payroll accruals	4,934,745	4,073,105
	<b>99,987,675</b>	<b>78,195,423</b>

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Board for similar financial instruments.

The trade and other payables attract no interest and settlement is normally done within 30 days.

## NOTES TO THE FINANCIAL STATEMENTS

### BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP
<b>12 PROVISIONS</b>		
At the beginning of the year	850,830	-
Provision for probable legal losses charged during the year	150,000	850,830
<b>At the end of the year</b>	<b>1,000,830</b>	<b>850,830</b>

The provision relates to probable losses from current legal proceedings in which the Board is currently a party to. Due to the uncertainties surrounding the judgement of the legal proceedings the Board has provided for the probable legal losses based on consultations with the Board's legal counsel.

The provisions have been based on the advise received from the Board's attorneys which is in respect of probable losses expected to be incurred by the Board resulting from pending litigation cases. These cases comprise mainly the recovery of the Board's debts from impaired debtors. There are no reimbursements that are expected by the Board for any provisions that have been raised.

### 13 FINANCIAL LIABILITIES BY CATEGORY

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

Financial liabilities at amortised cost:

Finance lease obligations	962,107	1,526,318
Trade and other payables	99,987,675	78,195,423
	<b>100,949,782</b>	<b>79,721,741</b>

The carrying values of financial liabilities is deemed by the Board to approximate their fair values due to their short term nature.

### 14 REVENUE

Strategic Grain Reserve management fees	1,003,431	5,517,064
Sale of goods	221,645,225	203,904,181
	<b>222,648,656</b>	<b>209,421,245</b>

The Board houses stock of the Strategic Grain Reserve in its silos. The Board receives an administration fee from the Strategic Reserve for use of its silos and these administrative fees are included in the Strategic Grain Reserve management fees.

### 15 COST OF SALES

Cost of goods sold	163,003,070	163,775,989
Inventory losses and allowances	10,451,063	3,990,635
Transport subsidy received from Ministry of Agriculture	(2,857,319)	(5,497,888)
Distribution costs	17,983,420	15,675,850
Discounts received	(2,068,310)	(1,689,731)
	<b>186,511,924</b>	<b>176,254,855</b>

## NOTES TO THE FINANCIAL STATEMENTS

### BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP
<b>16 OPERATING PROFIT / (LOSS)</b>	<b>363,843</b>	<b>(1,609,723)</b>
Operating profit (loss) for the year is stated after accounting for the following:		
Board members' sitting fees and expenses	76,931	63,888
Profit on sale of property plant and equipment	(147,589)	(794,680)
Deferred income utilised during the year	(866,621)	(6,272,469)
Rental income	(1,400,521)	(1,435,564)
Travelling and accommodation	1,577,679	1,153,946
(Profit)/Loss on foreign exchange	(548,270)	218,184
Repairs and maintenance	1,559,932	1,347,057
Telephone and fax	601,108	587,404
Office and general expenses	7,112,107	7,819,345
Motor vehicle expenses	384,372	146,299
Impairment of trade and other receivables	1,086,503	1,410,279
Advertising	440,322	245,382
Insurance	999,702	1,114,240
Security	1,321,320	1,484,187
Depreciation on property, plant and equipment	2,493,625	3,829,255
Employee costs	18,116,111	15,673,242
<b>17 FINANCE INCOME</b>		
Interest revenue		
Bank	1,133,707	1,079,156
Interest charged on trade and other receivables	98,483.63	5,068
Loans to employees	70,622.06	68,080
	<b>1,302,813</b>	<b>1,152,304</b>
<b>18 FINANCE COSTS</b>		
Bank	409,097	447,852
Finance leases	114,590	164,838
	<b>523,687</b>	<b>612,690</b>
<b>19 AUDITORS REMUNERATION</b>		
Fees	228,753.00	153,036
Audit fee of the defined benefit pension fund	84,000	92,205
	<b>312,753</b>	<b>245,241</b>

## NOTES TO THE FINANCIAL STATEMENTS

### BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP
<b>20 OTHER COMPREHENSIVE INCOME</b>		
Components of other comprehensive income		
Movements on revaluation:		
Gains on property revaluation	-	-
	-	-

### 21 COMMITMENTS

#### Authorised capital expenditure

Not yet contracted for and authorised by the board	46,886,000	44,096,750
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The Board has approved the budgets for the commitments summarised below, however, specific contracts are not yet in place. The summary of the authorised expenditure is as follows:-

Commitment		
Sunflower Oil Pressing Plant Project in Pandamatenga	36,000,000	36,000,000
Purchase of motor vehicles	1,200,000	1,200,000
Refurbishment of BAMB warehouses	9,686,000	6,896,750
	46,886,000	44,096,750

### 22 CONTINGENCIES

The Board has an uncommitted facility in place with its bankers, First National Bank Botswana Limited to issue guarantees/letters of credit whenever is required in the normal course of its business. The total guarantees outstanding as at the reporting date is P8,320,174 [2011: P 8,320,174].

The Board has an uncommitted facility in place with its bankers, Standard Chartered Bank Botswana Limited to issue guarantees/ letters of credit whenever is required in the normal course of its business. The total guarantees outstanding as at the reporting date is P1,004,531 [2011: P1,004,531].

### 23 RELATED PARTY DISCLOSURES

#### Relationships

Owner with significant influence	Government of Botswana
Members of the Board	Refer to general information page
Members of key management	M Mphathi (Chief Executive Officer), E Ncaagae, L Makubate B Maifala, J Proctor, Z Ziga, C Mokgoko

## NOTES TO THE FINANCIAL STATEMENTS

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP
<b>23 RELATED PARTY DISCLOSURES (Continued)</b>		
All related party balances are unsecured and are settled on the normal business repayment terms of 30 days.		
<b>Amounts included in Trade Payables regarding related parties:</b>		
Government of Botswana - Strategic Grain Reserve	77,407,970	28,806,295
<b>Amounts included in Trade Receivables regarding related parties</b>		
Department of Crop Production	1,588,933	1,671,005
Department of Local Government Finance and Procurement	14,754,538	3,497,328
Ministry of Agriculture	-	1,553,136
<b>Related party transactions</b>		
<b>Purchases from related parties</b>		
Government of Botswana - Strategic Grain Reserve	43,157,442	33,067,204
<b>Board member fee and expenses</b>		
Sitting fees and expenses	76,931	63,888
<b>Grants and fees received from Government of Botswana</b>		
Strategic Grain Reserve management fees	1,003,431	5,517,064
Transport subsidy - Ministry of Agriculture	2,857,319	5,497,888
<b>Sales to related parties</b>		
Department of Crop Productions	14,481,453	3,016,486
Department of Local Government Finance and Procurement	118,520,708	72,721,109
Ministry of Agriculture	2,858,725	11,036,094
There were no related party doubtful debts recognised in the current year (2011: P0.00).		
<b>Compensation of key management personnel</b>		
<b>Short term employee benefits</b>		
Gratuity and leave pay	1,820,803	640,854

## NOTES TO THE FINANCIAL STATEMENTS

BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP
<b>24 EMPLOYEE BENEFITS</b>		
<b>Post employment benefit plans</b>		
The Board has a funded defined benefit pension plan covering substantially all of its employees. The assets of the funded plan are held independently of the Board's asset in separate trustee administered funds. The pension plan is valued by an independent actuary using the projected unit credit method. The latest actuarial valuation was carried out as on 31 March 2012.		
<b>Net benefit expense</b>		
Current service cost	(965,748)	(761,989)
Interest cost on benefit obligation	(1,021,248)	(765,582)
Expected return on plan assets	906,206	746,636
Actuarial gain/(loss) on defined benefit obligation	105,501	(497,561)
Actuarial gain/(loss) on plan assets	109,718	161,432
<b>Net benefit expense</b>	<b>(865,571)</b>	<b>(1,117,064)</b>
These expenses have been included in the operating expenses line item on the profit and loss.		
<b>Actual return on plan assets</b>	<b>906,206</b>	<b>908,068</b>
<b>Benefit asset</b>		
Fair value of plan assets	12,065,680	10,068,956
Defined benefit obligation	(12,427,908)	(10,381,452)
<b>Net defined benefit (obligation) / asset</b>	<b>(362,228)</b>	<b>(312,496)</b>
<b>Changes in the present value of the defined obligation are as follows:</b>		
Present value of obligation, 1 April	(10,381,452)	(8,244,861)
Interest cost	(1,021,248)	(765,582)
Current service cost	(965,748)	(761,989)
<b>Benefits paid</b>	<b>123,832</b>	<b>115,944</b>
Member contributions	(288,792)	(227,403)
Actuarial gain (loss) on obligation	105,501	(497,561)
<b>Present value of obligation, 31 March</b>	<b>(12,427,907)</b>	<b>(10,381,452)</b>
<b>Changes in the fair value of plan assets are as follows:</b>		
Fair value of plan assets, 1 January	10,068,956	8,407,016
Expected return on plan assets	906,206	746,636
Employer contributions	815,839	642,413
Member contributions	288,792	227,403
<b>Benefits paid</b>	<b>(123,832)</b>	<b>(115,944)</b>
Actuarial gain/(loss) on plan assets	109,718	161,432
<b>Fair value of plan assets, 31 December</b>	<b>12,065,679</b>	<b>10,068,956</b>



## NOTES TO THE FINANCIAL STATEMENTS

### BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

#### 24 EMPLOYEE BENEFITS

The principal assumptions used in determining pension benefit obligations for the Board's plan are shown below:

	March 31 2012	March 31 2011
Discount rate	8.25%	9.00%
Salary increase assumption	6.25%	7.00%
Pension increase assumption	3.10%	3.81%
Expected return on assets	8.25%	9.00%

#### 25 RISK MANAGEMENT

##### Capital management

The Board's objective when managing capital are to safeguard the board's ability to continue as a going concern in order to provide returns to owners and benefit other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Board consists of debt, which includes the overdrafts, finance lease obligations, cash and cash equivalents disclosed in note 6, and Government equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements. There has been no change in the way the Board manages its capital. The Board may approach the Government of Botswana for additional capital in the form of capital grants, subventions or deferred income as and when the need arises since the Board is a statutory corporation set up by an Act in the Parliament.

The Board monitors its capital structure through the use of gearing ratios, cost of capital calculations, and debt/equity ratios.

##### Financial risk management

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

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

##### Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Board's liquidity risk arises due to its exposure on overdrafts and financial leases with financial institutions. Significant part of its payables relate to amounts owed to Strategic Grain Reserve, a directive managed by the Board. The Board contemplates approaching Government with funding requirements when adequate funding resources are not available as the Board is in itself a Statutory Corporation. The Board also has significant obligations on its employee benefit accruals such as leave pay and gratuity. These liabilities are met out of the operational funds of the Board.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

## NOTES TO THE FINANCIAL STATEMENTS

### BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

#### 25 RISK MANAGEMENT (Continued)

The Board is exposed to market risk, including primarily changes in interest rates and currency exchange rates. The Board does not hold or issue derivative financial instruments for trading purposes. The main risks arising from the Board's financial instruments are liquidity risk and credit risk on other receivables.

The table below analyses the entity's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March, 2012	Less than 1 Year	Between 2 and 5 years	Over 5 Years
Trade and other payables	95,052,930	-	-
Finance lease obligations	617,650	477,368	-

At 31 March, 2011	Less than 1 Year	Between 2 and 5 years	Over 5 Years
Trade and other payables	74,122,318	-	-
Finance lease obligations	501,115	1,420,786	-

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Board is exposed to interest rate risk on balances maintained with its bankers and also overdraft facilities with them. The management liaise with its bankers to make use of the optimal interest rate that is applicable.

At 31 March, 2012, if interest rates on Pula-denominated borrowings had been 0.50% higher/lower with all other variables held constant, post-tax profit for the year would have been P390,977 (2011: P126,488) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

#### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than one year	Due in more than two years
Trade and other receivables	0%	28,023,323	-
Short term deposits	11.05%	54,962,845	-
BWP call deposits	7.00%	547,361	-
Lease loans	10.50%	(617,650)	(477,368)

## NOTES TO THE FINANCIAL STATEMENTS

### BAMB ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP

#### 25 RISK MANAGEMENT (Continued)

##### Credit risk

The Board is exposed to credit risk on its trade and other receivables, cash and cash equivalents and loans to its employees. The management evaluate the credit worthiness of its customers before a credit facility is granted. Also, many of the customers of the Board comprise of departments of Government of Botswana and her ministries. Cash and bank balances are placed with reputable financial institutions.

Frequent management meetings are held to determine the exposure limit to or fund placement with any particular bank. Banks in Botswana are not rated but are subsidiaries of reputed and rated banks of Republic of South Africa and the United Kingdom.

The table below shows the maximum credit risk exposure on the Board's financial assets.

Financial instrument		
Trade receivables	28,023,323	62,225,110
Cash and cash equivalents	55,502,785	25,297,537

The Board does not hold any collateral as security.

##### Foreign exchange risk

The entity is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The entity does not hedge foreign exchange fluctuations.

At 31 March, 2012, if the currency weakened by 5% against the South African Rands with all other variables held constant, post-tax profit for the year would have been P755,814 (2011: P133,111 higher) lower, mainly as a result of foreign exchange gains or losses on translation of South African Rands denominated financial assets and financial liabilities.

At 31 March, 2012, if the currency weakened by 5% against the United States Dollar with all other variables held constant, post-tax profit for the year would have been P3,575,263 (2011: P1,517,444 higher) lower, mainly as a result of foreign exchange gains or losses on translation of United States Dollars denominated financial assets and financial liabilities.

Foreign current exposure at the end of the reporting period

##### Current assets

Cash and cash equivalents, USD6,326 (2011: USD6,325)	44,544	42,450
Cash and cash equivalents, ZAR7.20 (2011: ZAR232 583)	7	229,146

##### Liabilities

Trade payables, ZAR2,644,731 (2011: ZAR 2,819,630)	2,429,703	2,777,961
Trade payables, USD5,517,350 (2011: USD 4,302,214)	38,854,579	28,873,921

Exchange rates used for conversion of foreign items were:

USD	0.1330	0.1387
ZAR	1.0275	1.04

#### 25 Subsequent events after reporting date

There have been no events, facts or circumstances of a material nature that have occurred subsequent to the reporting date which necessitate an adjustment to the disclosure in these Annual Financial Statements or the notes thereto.



# STRATEGIC GRAIN RESERVE

ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31 2012



## GENERAL INFORMATION

### STRATEGIC GRAIN RESERVE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Registered Office:	Plot 130, Unit 3 & 4 Nkwe Square Gaborone International Finance Park Gaborone Botswana
Postal address	Private Bag 0053 Gaborone Botswana
Auditor:	Ernst & Young 2nd Floor, Plot 22 Khama Crescent Gaborone
Company registration number	687900
Managing Agent	Botswana Agricultural Marketing Board
Measurement and Presentation Currency:	Botswana Pula

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Statement of financial position	59
Statement of changes in equity	60
Statement of cash flows	61
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#### APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 March 2012, which have been prepared on the going concern basis, were approved by the members of the Board on 5TH JULY 2012 and were signed on its behalf by:



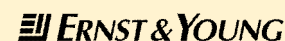
DIRECTOR



DIRECTOR

DATE: 9 JULY 2012  
GABORONE

## INDEPENDENT AUDITOR'S REPORT



SGR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2012

**Report on the financial statements**

We have audited the accompanying financial statements of the Strategic Grain Reserve, which comprise the statement of financial position as at 31 March, 2012, 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 37.

**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.

**Auditor's responsibility**

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Strategic Grain Reserve as at 31 March, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

Ernst & Young  
Certified Auditors

Practicing Member: Bakani Ndwapi (19980026)

DATE: 12 JULY 2012  
GABORONE

## STATEMENT OF COMPREHENSIVE INCOME

SGR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

		March 31 2012	March 31 2011
	Notes	BWP	BWP
Revenue	8	46,107,911	33,067,204
Costs of sales	9	(42,140,267)	(33,015,321)
<b>Gross Profit</b>		<b>3,967,644</b>	<b>51,883</b>
Operating expenses	11	(1,010,903)	(8,266,643)
<b>Operating Profit / (Loss)</b>		<b>2,956,741</b>	<b>(8,214,760)</b>
Finance income	10	6,571,977	7,655,832
<b>Profit / (Loss) for the year</b>		<b>9,528,718</b>	<b>(558,928)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive income</b>		<b>9,528,718</b>	<b>(558,928)</b>

## STATEMENT OF FINANCIAL POSITION

SGR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

		March 31 2012	March 31 2011
	Notes	BWP	BWP
<b>Current assets</b>			
Inventories	2	-	20,976,209
Trade and other receivables	3	77,429,021	58,547,405
Cash and cash equivalents	4	134,446,547	123,028,084
		211,875,568	202,551,698
<b>TOTAL ASSETS</b>		<b>211,875,568</b>	<b>202,551,698</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Reserves	7	205,389,405	205,389,405
Accumulated profit/(loss)		6,458,502	(3,070,216)
<b>Total equity</b>		<b>211,847,907</b>	<b>202,319,189</b>
<b>Current liabilities</b>			
Trade and other payables	5	27,662	232,509
		27,662	232,509
<b>TOTAL LIABILITIES</b>		<b>27,662</b>	<b>232,509</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>211,875,568</b>	<b>202,551,698</b>



## STATEMENT OF CHANGES IN EQUITY

SGR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

			March 31 2012	March 31 2011
	Notes	Reserves	Accumulated Profit/Loss	Total Equity
Balance at 31 March 2010	7	205,389,405	(2,511,288)	202,878,117
Total comprehensive income		-	(558,928)	(558,928)
Balance at 31 March 2011	7	205,389,405	(3,070,216)	202,319,189
Total comprehensive income			9,528,718	9,528,717
<b>Balance at 31 March 2012</b>		<b>205,389,405</b>	<b>6,458,502</b>	<b>211,847,907</b>

## STATEMENT OF CASH FLOWS

SGR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

		March 31 2012	March 31 2011
	Notes	BWP	BWP
<b>Cash flows from operating activities</b>			
Profit/(Loss) for the year		9,528,718	(558,928)
<b>Adjustments for:</b>			
Finance income	10	(6,571,977)	(7,655,832)
<b>Changes in working capital:</b>			
Decrease in inventories		20,976,209	33,015,321
Increase in trade and other receivables		(18,881,616)	(37,224,562)
Decrease in trade and other payables		(204,848)	(2,245,846)
<b>Cash generated from / (Utilised in) operations</b>		<b>4,846,487</b>	<b>(14,669,847)</b>
Interest received	10	6,571,977	7,655,832
Net cash from operating activities		11,418,463	(7,014,015)
Net increase/(decrease) in cash and cash equivalents		11,418,463	(7,014,015)
Cash and cash equivalents at beginning of year	4	123,028,084	130,042,099
<b>Cash and cash equivalents at end of the year</b>	<b>4</b>	<b>134,446,547</b>	<b>123,028,084</b>

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. The functional and presentation currency of the Reserve is the Botswana Pula.

These accounting policies are consistent with the previous period, except for the changes set out in note 11 Changes in Accounting Policy.

#### 2 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:

##### 2.1 Trade receivables

The Reserve 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, management 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.

##### 2.2 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions.

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

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 3 Financial instruments

The Reserve classifies financial assets and 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.

##### 3.1 Initial recognition

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

The Reserve 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 including transaction costs, except for equity investments for which a fair value is not determinable, which is measured at cost and are classified as available for sale financial assets.

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

##### 3.2 Subsequent measurement

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

Financial liabilities are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account all premiums and discounts as well as costs that are an integral part of the effective interest rate and the amortisation arising from the application of the effective interest rate is recorded as finance costs in profit or loss.

##### 3.3 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.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the profit and loss. Trade and other receivables are classified as loans and receivables.

#### 3.4 Trade and other payables

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

#### 3.5 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 amortised cost. Cash and cash equivalents are usually not discounted as they have short term maturities.

#### 3.6 Impairment of financial assets

At each reporting date the Reserve assesses all financial assets, to determine whether there is objective evidence that a financial asset or a group of financial assets has been impaired.

For amounts due to the Reserve, 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 and 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 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 finance costs. 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 finance costs.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 3.7 Derecognition

The Reserve derecognises financial assets when the contractual rights to the cash flows from the financial asset expire; or when the Board transfers the financial asset out. When the Board transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset.

A financial asset is derecognised when:-

- 1) The rights to receive cash flows from the asset have expired;
- 2) The Board has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and;
- 3) Either (a) the Board has transferred substantially all the risks and rewards of the asset, or (b) the Board has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### 3.8 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- 1) There is a currently enforceable legal right to offset the recognised amounts and;
- 2) There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 4 Tax

##### Tax expenses

No provision for taxation is required as the Strategic Grain Reserve are exempt from taxation in terms of second schedule, Part I of the Income Tax Act (CAP 52:01).

#### 5 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The inventories mainly comprise of maize, sorghum and, sunflower

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 6 Impairment of non-financial assets

The Reserve assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Reserve 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. Fair value less costs to sell is based on recent market transaction prices less costs that the Reserve assess will be required to be incurred in order to sell the asset. Value in use is determined by discounting projected cash flows for the asset. The rate used to discount the cash flows is the real risk free rate i.e. government bond rate adjusted for the uncertainty of the projected cash flow.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the profit and loss. Any impairment loss of a revalued asset is treated as a revaluation decrease. The Reserve assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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

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

#### 7 Revenue

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

- the Reserve has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Reserve 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 Reserve; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

Revenue is recognised at the fair value of consideration received. The Reserve generates revenue from the sale of inventory on a periodic basis to the Botswana Agricultural Marketing Board. The Reserve sells scheduled produce i.e. sugar beans, sorghum, sunflower, maize etc.

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

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

### 8 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 in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

### 9 Foreign currency transactions

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

At each reporting date:

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### 10 Changes in accounting policies

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

The Reserve has adopted the following new and amended IFRS and IFRIC interpretations during the period. Adoption of these revised standards and interpretations did not have any financial effect on the financial statements of the Reserve. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies. Only those amendments that impact the Reserve have been disclosed.

New and amended IFRS and IFRIC interpretations effective as of 01 April 2011:

IAS 24 Related Party Disclosures (revised) effective 1 January 2011

IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010

IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011

The adoption of the standards or interpretations is described below:

#### **IAS 24 Related Party Transactions (Amendment)**

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity.

In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Reserve.

#### **IAS 32 Financial Instruments: Presentation (Amendment)**

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Board because the Board does not have these type of instruments.

#### **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)**

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The amendment has had no effect on the financial position or performance of the Board.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### **IAS 32 Financial Instruments: Presentation - Classification of Rights Issues**

The amendment alters the definition of a financial liability in IAS 32. It classifies certain rights issues, options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

The Board did not enter into any rights issue, options or warrants which would be affected by this amendment. The standard will not have any effect on the Board's financial position or performance. The amendment is effective for financial years beginning on or after 01 February 2010.

#### **11. Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Board's financial statements are listed below. This listing of standards and interpretations issued are those that the Board reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Board intends to adopt these standards when they become effective.

#### **IAS 12 Income Taxes – Recovery of Underlying Assets**

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The standard has no impact the reported financial performance of the Board because the Board is tax exempt. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

#### **IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements**

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Board's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

#### **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Board is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

#### **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard will have an effect on the classification and measurement of the company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The amendment affects disclosure only and has no impact on the Board's financial position or performance. The standard is effective for annual periods beginning on or after 1 January 2015.

#### **IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income**

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon Derecognition or settlement) would be presented separately from items that will never be reclassified.

The amendment affects presentation only and there will be no impact on the Board's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

## NOTES TO THE FINANCIAL STATEMENTS

### SGR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
Notes	BWP	BWP
<b>2 INVENTORY</b>		
Merchandise	-	20,976,209
Inventory write-downs	-	-
	-	<b>20,976,209</b>

During the 2012 financial year the Reserve sold all stock to the Botswana Agricultural Marketing Board hence, there was no balance at year end. The inventory was sold so that new inventory can be purchased by the Reserve.

### 3 TRADE AND OTHER RECEIVABLES

Trade Receivables	77,429,021	58,547,405
	<b>77,429,021</b>	<b>58,547,405</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of loan mentioned above.

Trade receivables consist entirely of amounts owed by the managing agent, Botswana Agricultural Marketing Board. Botswana Agricultural Marketing Board has an option to settle either in cash or through the replenishment of stock. The amounts are 100% secured against the inventory of Botswana Agricultural Marketing Board. The Reserve does not hold any collateral as tangible security.

Trade and other receivables past due but not impaired The Reserve's receivable balances are all due from the Botswana Agricultural Marketing Board and as per ageing analysis below, these are due within 1 month. There has been no impairment of receivable balances at year end. At 31 March 2012, P0.00 (2011: P0.00) were past due but not impaired.

Credit quality of trade and other receivables.

The Botswana Agricultural Marketing Board has been a long standing customer of the Reserve and has settled all amounts outstanding in the past and based on the customer's payment history the Reserve believes the amounts due to be settled in full.

### 4 CASH AND CASH EQUIVALENTS

Bank Balances	1,383,403	10,284,065
Short term deposits	133,063,144	112,744,019
	<b>134,446,547</b>	<b>123,028,084</b>

Credit quality of cash at bank and short term deposits, excluding cash on hand.

Cash at bank and short term deposits are placed with reputed financial institutions which are registered in Botswana. The Strategic Grain Reserve's bankers in Botswana are not rated but each of these banks are subsidiaries of major South African registered institutions.

## NOTES TO THE FINANCIAL STATEMENTS

### SGR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
Notes	BWP	BWP
<b>5 TRADE PAYABLES</b>		
Trade Payables	27,662	232,509
	<b>27,662</b>	<b>232,509</b>

The carrying amounts of trade and other payables approximates its fair value, due to the short term maturity of financial liabilities measured at amortised cost.

The trade payables do not attract any interest and are normally settled within 30 days.

### 6 FINANCIAL INSTRUMENTS

	Carrying Value 2012	Fair Value 2012
<b>FINANCIAL ASSETS</b>		
Loans and receivables;		
Trade and other receivables	77,429,021	77,429,021
Cash and cash equivalents	134,446,547	134,446,547
	<b>211,875,568</b>	<b>211,875,568</b>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities at amortised cost;		
Trade payables	27,662	27,662
	<b>27,662</b>	<b>27,662</b>
	Carrying Value 2011	Fair Value 2011
<b>FINANCIAL ASSETS</b>		
Loans and receivables;		
Loans and receivables	58,547,405	58,547,405
Cash and cash equivalents	123,028,084	123,028,084
	<b>181,575,489</b>	<b>181,575,489</b>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities at amortised cost;		
Trade payables	232,509	232,509
	<b>232,509</b>	<b>232,509</b>

## NOTES TO THE FINANCIAL STATEMENTS

### SGR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
Notes	BWP	BWP
<b>7 RESERVES AND CAPITAL</b>		
Opening balance	205,389,405	205,389,405
Amounts received during the year	-	-
	<b>205,389,405</b>	<b>205,389,405</b>
Strategic Grain Reserve is established through presidential directive to store and supplement the grain reserves of the country. The government funds the procurement through infuse of capital as and when required. The Reserve is disbursed by the Government of Botswana to buy inventory for the Strategic Grain Reserve.		
<b>8 REVENUE</b>		
Sale of goods	46,107,911	33,067,204
	<b>46,107,911</b>	<b>33,067,204</b>
The Strategic Grain Reserve holds the strategic sorghum stock piles for the government of Botswana. Due to the perishability of stock items the Reserve has to sell its stock periodically. The Reserve sells its stock to the Botswana Agricultural Marketing Board only.		
<b>9 COST OF SALES</b>		
Cost of goods sold	42,140,267	33,015,321
	<b>42,140,267</b>	<b>33,015,321</b>
<b>10 FINANCE INCOME</b>		
Interest Income	6,571,977	7,655,832
	<b>6,571,977</b>	<b>7,655,832</b>
<b>11 OPERATING EXPENSES</b>		
Administration charges	978,431	5,517,064
Bank charges	7,472	101,678
Audit Fees	25,000	25,000
Realised foreign exchange loss	-	2,622,901
	<b>1,010,903</b>	<b>8,266,643</b>

## NOTES TO THE FINANCIAL STATEMENTS

SGR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
Notes	BWP	BWP

### 12 RELATED PARTIES

#### Relationships

##### Owner with significant influence

Government of Botswana

##### Members of the Reserve

Refer to general information page

##### Members of key management

**M Mphathi (Chief Executive Officer)**

E Ncaagae

L Makubate

B Maifala

J Proctor

Z Ziga

C Mokgoko

#### Related party balances

##### Terms and conditions

All related party balances are settled on the normal business repayment terms of 30 days.

#### Sales to related parties

	46,107,911	33,067,204
<b>Botswana Agricultural Marketing Board</b>		

#### Amounts included in trade receivables regarding related parties

	77,407,970	28,806,295
<b>Botswana Agricultural Marketing Board</b>		

#### Administration fees paid to related parties

	978,431	5,517,064
<b>Botswana Agricultural Marketing Board</b>		

Security on related party balances due at year end.

All related party balances due at year end are not secured. These are mainly to the Government of Botswana.

The Botswana Agricultural Marketing Board is the managing agent appointed by the Government of Botswana to manage the Reserve. The Reserve was created by the Government as a storage facility for grain in the event of a natural disaster. The transactions executed between the Board and the Reserve are mainly purchase and sale of inventory. The Board periodically sells the Reserve inventory to avoid losses due to perishing of inventory. During the year, the Reserve sold all its inventory to the Board.

## NOTES TO THE FINANCIAL STATEMENTS

### SGR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
Notes	BWP	BWP

#### 13 RISK MANAGEMENT

##### Capital Management

The Reserve's objective when managing capital is to safeguard the Reserve's ability to continue as a going concern in order to provide returns and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Reserve consists of debt, which includes the cash and cash equivalents disclosed in note 4.

There are no externally imposed capital requirements. There has been no change in the way the Reserve manages its capital. The Reserve may approach the Government of Botswana for additional capital in the form of capital grants, subventions or deferred income.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from previous year.

The Reserve monitors its capital structure through the use of gearing ratios, cost of capital calculations, and debt/equity ratios.

##### Financial risk management

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

##### Market Risk

The Reserve is exposed to market risk, including primarily changes in interest rates. The Reserve does not hold or issue derivative financial instruments for trading purposes. The main risks arising from the Reserve's financial instruments are liquidity risk and credit risk on receivables.

##### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than one year	Due in more than two years
Short term deposits		11.05%	133,063,144 -
Bank balances		7.00%	1,383,403 -

At 31 March, 2012, if interest rates on Pula-denominated borrowings had been 0.50% higher/lower with all other variables held constant, post-tax profit for the year would have been P672,233 (2011: P615,140) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.



## NOTES TO THE FINANCIAL STATEMENTS

SGR ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2012

	March 31 2012	March 31 2011
	BWP	BWP

### Credit risk

The Reserve is exposed to credit risk on its trade and other receivables and cash and cash equivalents. Management evaluate the credit worthiness of its customers before a credit facility is granted. Also the main customers of the Reserve is the Botswana Agricultural Marketing Board. Cash and bank balances are placed with reputable financial institutions.

Frequent management meetings are held to determine the exposure limit to or fund placement with any particular bank. Banks in Botswana are not rated but are subsidiaries of reputed and rated banks of Republic of South Africa.

The Reserve does not hold any collateral.

### Liquidity risk

Liquidity risk is the risk that the counterparty may not settle the obligation within the reasonable time.

Significant part of its payables relate to amounts owed to the Botswana Agricultural Marketing Board, the agent of the Reserve. The Reserve contemplates approaching Government with funding requirements when adequate funding resources are not available as the Reserve is in itself a Statutory Corporation.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March, 2012	Less than 1 Year	Between 2 and 5 years	Over 5 Years
Trade and other payables	27,662	-	-
At 31 March, 2011	Less than Year	Between 2 and 5 years	Over 5 Years
Trade and other payables	232,509	-	-

### 14 Subsequent events after reporting date

There have been no events, facts or circumstances of a material nature that have occurred subsequent to the reporting date which necessitate an adjustment to the disclosure in these Annual Financial Statements or the notes thereto.