



LOCAL ENTERPRISE AUTHORITY

Building Botswana



Empowering Entrepreneurs:

ANNUAL REPORT | 2015-16

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LEA

LOCAL ENTERPRISE AUTHORITY

**SPARK
BIGGER
THINGS WITH LEA**

A little spark is all it takes to start a fire.

At the Local Enterprise Authority (LEA), we exist to breathe life into your business idea so that you can realize your dream.



Glossary of Terms

BAC	Botswana Accountancy College	ISO	International Organization for Standardization
BCP	Business Continuity Plan	LEA	Local Enterprise Authority
BDS	Business Development Service	ME	Micro Enterprise
BEMA	Botswana Exporters and Manufacturers Association	MOA	Ministry of Agriculture
BITC	Botswana Investment and Trade Centre	MOU	Memorandum of Understanding
BMC	Botswana Meat Commission	MITI	Ministry of Investment Trade and Industry
BOBS	Botswana Bureau of Standards	MYSC	Ministry of Youth Sport and Culture
BOPEU	Botswana Public Employees Union	PEEPA	Public Enterprises Evaluation & Privatisation Agency
BPC	Botswana Power Corporation	PPADB	Public Procurement & Asset Disposal Board
BTC	Board Tender Committee	QMS	Quality Management System
BTO	Botswana Tourism Organisation	SAITEX	Southern African International Trade Exhibition
BURS	Botswana Unified Revenue Service	SBA	Small Business Act
BQA	Botswana Qualifications Authority	SHE	Safety, Health and Environment
CA	Competition Authority	SME	Small and Medium Enterprises
CEDA	Citizen Entrepreneurial Development Agency	SMME	Small, Medium and Micro Enterprise
CEO	Chief Executive Officer	SPEDU	Selibe-Phikwe Economic Diversification Unit
CETP	Common Effluent Treatment Plant	SPV	Special Purpose Vehicle
CIPA	Companies and Intellectual Property Authority	TAC	Technical Advisory Committee
COSO	Committee of Sponsoring Organizations of the Treadway Commission		
CSI	Corporate Social Investment		
CSR	Corporate Social Responsibility		
DEA	Department of Environmental Affairs		
DNIP	Department of National Internship Programme		
EAW	Entrepreneurship Awareness Workshop		
EDD	Economic Diversification Drive		
EDT	Entrepreneurship Development Training		
EIA	Environmental Impact Assessment		
ERM	Enterprise-wide Risk Management		
FAC	Finance and Audit Committee		
FIBI	Francistown Industrial Business Incubator		
HRC	Human Resource Committee		
HR	Human Resources		
IP	Intellectual Property		

Definition of terms

Business incubation - A programme designed to support the successful development of start-up enterprises offering infrastructure and other services in a controlled environment.

Pre Start-up Business - A business idea that has not yet been implemented.

Start-up Business - A business that has been in operation for less than twelve months.

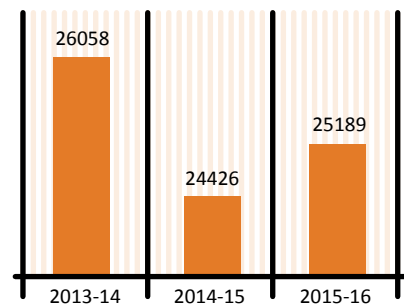
Existing Business - A business that has been in operation for more than twelve months.

Monitoring - An undertaking that is carried out following execution of a gap closing intervention, to examine if the gap has been adequately closed and ensure that the solution is long-lasting.

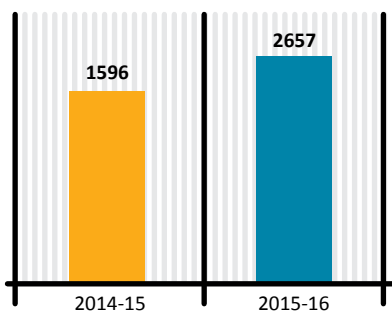
Mentoring - Mentoring is a systematic process of using an experienced business person to hand hold and provide guidance to help less experienced business owners to achieve their goals.

Performance Highlights 2015-16

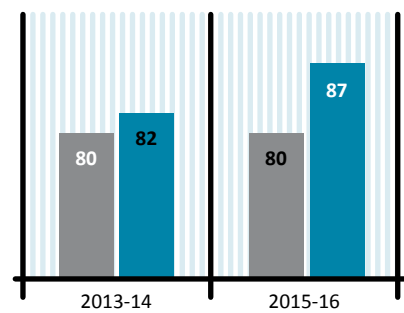
Entrepreneurship Awareness
Workshop Participants



Number of entrepreneurs trained
and mentored



Customer Satisfaction Index



Target Achieved

LEA Corporate Profile

The Local Enterprise Authority (LEA) was established by the Small Business Act of 2004, Chapter 43:10 of the Laws of Botswana to carry out on behalf of the Government of Botswana, and more specifically the Ministry of Investment, Trade and Industry (MITI), the mandate of entrepreneurship and enterprise development in Botswana.



Our Mandate:

In accordance with the Small Business Act, the Authority's mandate is to promote entrepreneurship and SMME development through:

- Providing business development services inter alia through; screening, business plan facilitation, training, monitoring and mentoring;
- Identifying business opportunities for existing and future SMMEs;
- Promoting domestic and international linkages, especially between SMMEs and government, large business entities and other SMMEs;
- Facilitating changes in regulations, quality management systems and standards, infrastructure and access to finance;
- Facilitating technology adoption and diffusion;
- Promoting general entrepreneurship and SMME awareness.

The Authority's key deliverables in summary are as follows;

- Promotion of citizen entrepreneurship;
- Further diversification of the economy;
- Promotion of exports;
- Development of a competitive SMME community;
- Creation of sustainable employment opportunities;
- Promotion of the development of vertical integration and the horizontal linkages; between SMMEs and primary industries in agriculture, services, manufacturing and tourism;
- Improved efficiency in the delivery of services to business;
- Promotion of business linkages between small and large enterprises.

The Authority prides itself on having an extensive country-wide footprint of 13 branches. Through the tutelage of the ISO 9001 Quality Management System Standard, the highly specialized quality of service is standardized in all the branches and clients are therefore guaranteed a quality service in the entire LEA branch network, regardless of the location.

The thirteen branches are in Francistown, Gaborone, Ghanzi, Kanye, Kasane, Masunga, Maun, Mochudi, Molepolole, Ramotswa, Selibe-Phikwe, Serowe and Tsabong. In addition to the branches, there are four Business Incubators whose objective is to provide business space, shared facilities and impact driven interventions geared at attaining accelerated growth of the enterprises incubated.

The LEA Incubators are;

- Francistown Industrial Business Incubator
- Gaborone Leather Industries Incubator
- Glen Valley Horticulture Incubator
- Pilane Multi-purpose Business Incubator

Our Vision

To be the centre of excellence for entrepreneurship and sustainable SMME development in Botswana

Our Mission

To promote and facilitate entrepreneurship and SMME development through targeted interventions in pursuit of economic diversification.

Our Value Proposition

“Empowering the entrepreneur to start and grow their business.”



Self-Driven

We are passionate, eager to learn, persistent and determined to achieve personal goals so that the entire team achieves its desired results.



Partnership

Through our internal teamwork and effective partnership with stakeholders, our efforts are synergized resulting in the success of our clientele.



Transformational Leadership

We are inspired and self-led, motivated, innovative and accountable to achieve maximum potential in a favorable work environment.



Botho

We are courteous, polite, and approachable. We execute all our transactions with clients and other stakeholders with integrity.



LOCAL ENTERPRISE AUTHORITY

LEA Board of Directors

With impeccable combined industry experience, the Board is well positioned to take LEA to the next level of transformation, efficiency and growth.



Mr Batlhatswi Tsayang | *Board Chairman*



A Mrs Masego Marobela

B Mr Oabile Regoeng

C Mrs Patience Motswagole

D Mr Thatayaone Molefhi

E Mrs Bilkiss Moorad

F Mr Rockie Mmutle

G Ms Nelly Wamasego Senegelo

H Dr Haniso Mothabane

I Mrs Mama M. Maite



LEA Board of Directors Resumes

MR BATLHATSWI TSAYANG

Mr Batlhatswi Shongwe Tsayang is Board Chairman of the Local Enterprise Authority and has sat on the LEA Board since 2011. Mr Tsayang's career spans over thirty years working in numerous organizations. He is currently the Director of Prop 5 Botswana (Pty) Ltd, a Human Resources Consultancy firm. Mr Tsayang's experience ranges from being the Fleet Manager at the Central Transport organization, Director at the Department of National Transportation and Communications, Assistant General Manager of Botswana Railways, Human Resources Manager of Air Botswana and Director at Jacques Malan Consultants & Actuaries Botswana. He is well grounded in areas of Human Resource management, corporate governance, general Industrial Relations mediation and counseling, finance matters as well as general administration and protocol.

Mr Tsayang has sat in various boards which include Botswana Medical Aid Society (BOMaid), Botswana Housing Corporation (BHC), Labour Advisory Board and has also served as Board Secretary at Botswana Railways. He holds a Master's Degree in Public Administration from the University of Botswana and is an accredited RICS (Royal Institute of Chartered Surveyors) Mediator

MRS MASEGO MAROBELA

Mrs Masego Marobela, who is the Managing Director of the Botswana Bureau of Standards (BOBS) has a Master's Degree in Business Administration and a Master of Science (Analytical Chemistry). She previously worked at the then Ministry of Commerce and Industry under the Botswana – Germany Technical Cooperation Project to establish the National Quality Assurance System, the Departments of Water Affairs and Geological Surveys. She has contributed to the success of the SADC Technical Barriers to Trade structures' strategies, and served as Chairperson of both Measurement Traceability and Accreditation structures. She represents Botswana on the International Organization for Standardization Council and is a member of the University of Botswana Council.

MR OABILE REGOENG

Mr Oabile Regoeng has astute knowledge as a Public Relations Executive and Business Development Specialist, who has a reputable record of successfully delivering strategies that have seen business development initiatives penetrate the market segment through successful Project Management. Mr Regoeng holds a Master's Degree in Business Administration- Finance. He has previously worked at the National Development Bank (NDB) and Citizen Entrepreneurship Development Agency (CEDA).

He has since joined the private sector as a property developer. He currently serves as the Board Chairperson of Kweneng District Ventures (Pty) Ltd, an investment arm of Kweneng District Council.

DR HANISO MOTLHABANE

Dr. Haniso Motlhabane has a PhD in Policy Process with specialization in Policy Implementation. He has experience in the Education Sector in particular the Agriculture, Science and Technology spheres. He has held critical roles in various research institutions as a member of the task forces and steering committees therein. He is currently with the Botswana International University of Science and Technology (BIUST). Dr Motlhabane previously served as a Board Member of the Forum on Sustainable Agriculture.

MRS BILKISS MOORAD

Mrs Bilkiss Moorad is an accomplished senior executive who rose through the ranks of the corporate world for over 25 years, of which 16 has been in the insurance and banking sector. She is a Chartered Accountant and fellow member of ACCA (FCCA). Mrs Moorad is highly skilled in business development and relationship management. She is also known for her effective leadership skills, strategic thinking and innovative ideas. Mrs Moorad started two life insurance companies; ABSA

Life Botswana and Liberty Life. She has also worked at Barclays Bank of Botswana, Botswana Life Insurance and Zurich Insurance. She is currently the Chief Executive Officer at Botswana Life Insurance Limited.

MR THATAYAONE MOLEFHI

Mr Thatayaone Molefhi brings with him a wealth of experience and understanding of various industries from both public and private sector. He holds BEng in Metallurgy, MSc in Advanced Manufacturing Systems from Brunel University in the United Kingdom, Professional Diploma in Purchasing and Supply (CIPS), Project Management Professional (PMI), Certified Strategy Practitioner (Palladium) and a Certified Contract and Commercial Management Professional (IACCM). He is the Chairman of PMI Botswana, Botswana Chapter Formation Steering Committee and Executive Committee Member of Southern District Farmers Association. Mr Molefhi works for Debswana as the Group Business Development Manager.

MS NELLY WAMASEGO SENEVELO

Ms Nelly Wamasego Senegelo is currently the Deputy Permanent Secretary responsible for Industry, in the Ministry of Investment, Trade and Industry. She has a Master of Social Science Degree in Development Finance (University of Birmingham, UK), and BA Degree in Economics and Statistics (University of Botswana). Ms

Senegelo previously worked in the Ministry of Finance and Development Planning as an Economist, Finance Administrator and Deputy Secretary for budget administration and has considerable experience in budget preparation, analysis, debt management and monitoring. She was the Government's correspondent to the International Monetary Fund on issues of Government Finance Statistics.

She facilitated the development of the Policy Guidelines for Financial Support to Non-Governmental Organizations. Whilst at the Ministry of Finance and Development Planning, she served as a Board Member of the Botswana Public Officers Medical Aid Scheme (BPOMAS). She is currently a Board member of Competition Commission and Botswana Innovation Hub.

MRS PATIENCE MOTSWAGOLE

Mrs. Patience Motswagole is a Senior Attorney who holds a Bachelor of Laws (LLB) degree and a Management Development Programme. She is a Banking and Commercial lawyer with 15 years' work experience, about 10 years' experience in the financial service industry and corporate sector. She has experience in commercial law, corporate finance, corporate governance, regulatory issues and compliance. Furthermore, she has extensive leadership experience having headed legal departments at Citizen Entrepreneurial Development Agency (CEDA),

Barclays Bank of Botswana Limited, First National Bank of Botswana Limited and BancABC Botswana. Mrs Motswagole currently sits on the Board of the Public Enterprises Evaluation and Privatization Agency (PEEPA). She has also served on the Board of the National Environmental Fund (NEF) and as a trustee on the Board of the FNB Staff Pension Fund.

MR ROCKIE MMUTLE

Mr Rockie Mmutle has a Master's Degree in Business Administration and Bachelor of Commerce (Management). Mr Mmutle has worked for G4S Botswana Limited and Medical Rescue Botswana Limited. He was a Board Member of Bank of Botswana. He is knowledgeable in Strategy Development and has vast experience in the business sector. He is currently with Kansai PLASCON Botswana (Pty) Ltd.

MRS MAMA M. MAITE

Mrs Mama M. Maite possesses an MBA, Msc in Human Resource Management, a Post Graduate Diploma in Human Resources Studies as well as a Bachelor of Commerce (BCom), and has over 17 years' experience in Human Resource management. Throughout her professional career she has developed and implemented Strategic people agenda aligned to overall business priorities. Mrs Maite is currently with Standard Chartered Bank of Botswana as the Head of Business HR, Retail Clients, Group Technology and Operations. Mrs Maite has worked for the Botswana Bureau of Standards (BOBS), Botswana Training Authority (BOTA), Botswana Agricultural Marketing Board (BAMB) and Directorate of Public Service Management (DPSM).

Board and Committee Membership

Board Member	Board	TAC	FAC	BTC	HRC
Mr Batlhatswi Tsayang (<i>Board Chairman</i>)	•				
Mrs Bilkiss Moorad	•		•		•
Mr Rockie Mmutle	•		•		•
Mr Oabile Regoeng	•	•			•
Mrs Masego Marobela	•		•	•	
Mr Thatayaone Molefhi	•	•	•		
Dr Haniso Motlhabane	•	•		•	
Mrs Mama M. Maite	•	•			•
Ms Nelly Wamasego Senegelo	•	•		•	
Ms Patience Motswagole	•			•	•

Executive Management

The LEA Executive Management Team endeavours to develop and implement home grown strategies that are aligned to the vision of the organisation.



A Dr Tebogo T. K. Matome
Chief Executive Officer

B Mr Cosmas Moapare
Deputy CEO -Support Services

D Mrs Joy Norman
Board Secretary & Legal Services Manager

C Mrs Masego
Gwaila-Madanika
Deputy CEO -Client Services

E Mr Moshe C. Z. Libengo
Director, Corporate Services



F Mr Kabelo Nkwane
*Director, National Branch
Network*

G Mrs Boikhutso Kgomanyane
*Director, Corporate &
Stakeholder Communications*

H Mr Lesitamang Paya
Director, Innovation & Sector Support

I Mrs Ontlametse Sebonego
Director, Risk & Internal Audit

J Mr Gordon Mbongwe
Strategy Manager

K Mr Ephraim Kentse
Director, Information Technology

L Mr Lisenda Lisenda
Director, Corporate Planning

M Mr Donald Fologang
Director, Capacity Development

N Mr Gaboipeelwe Motlhabane
Quality Management Representative

O Ms Bitsang Kgosi
Director, Human Resources

P Ms Dynah Solani
Director, Research & Development



LOCAL ENTERPRISE AUTHORITY



***Executive
Management***





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Branch and Incubator Managers

The LEA Branch and Incubator Managers are well equipped and positioned to navigate the business environment and bring to fruition our clients' business ideas.



A Mr Obakeng Segwagwe
Senior Manager (South)

C Ms Anastacia Mamelodi
Branch Manager (Mochudi)

E Mrs Dulu Moaisi
Branch Manager (Ramotswa)

G Ms Martha Keikanetswe
Branch Manager (Ghanzi)

B Mrs Kgomotso Masunga
Branch Manager (Serowe)

D Mr Lesedi Ngakane
Branch Manager (Molepolole)

F Mr Kago Ntebela
Branch Manager (Kanye)

H Mr Kagiso Habangana
Branch Manager (Selibe-Phikwe)



I Mr Oreneile Padipadi
Senior Manager (North)

J Mrs Gertrude Molefi
Branch Manager (Gaborone)

K Mr Agripah Hengari
Branch Manager (Maun)

L Ms Mmoloki Kesalopa
Branch Manager (Francistown)

M Ms Segakolodi Ntebele
Branch Manager (Masunga)

N Mrs Shatho Orapeleng
Branch Manager (Tsabong)

O Mr Jimmy Lenwe
Branch Manager (Kasane)

P Mr Isaac Bok
Incubator Manager - Glen Valley Horticulture Incubator

Q Mr Mothusi Kelebogile
Incubator Manager - Pilane Multi-purpose Incubator

R Mr Oratile Koloka
Incubator Manager - Gaborone Leather Industries Incubator

S Mrs Lovvy Otimile
Incubator Manager - Francistown Industrial Business Incubator (A)



“Our greatest achievement is when our clients no longer require our services as they have learnt to be competitive and sustainable, existing without us”.

Chairman’s Statement

HIGHLIGHTS

85%

Organisational Performance for the 2015/16 financial year, 10% above the target of 75%.

3

LEA clients successfully graduated

On behalf of the Board of Directors of the Local Enterprise Authority, I am pleased to present the LEA Annual Report for the financial year 2015 - 2016. This report gives a brief synopsis of the operations, achievements, challenges and milestones of LEA in pursuit of the organization's mandate. The Annual Report highlights the performance of the organization for the financial year under review.

As the global economy continues to tank and become more unfavourable to commodity based economies like ours, it is our earnest and sincere belief that this presents a great opportunity for LEA to unlock the great entrepreneurial potential of the citizenry of this country. The road we travel is bumpy and perfidious, and littered with a number of devastating failures and disappointment; it is however a road we need to travel if we are to change the fortune and trajectory of the country's economic development.

The organisational performance for the 2015/16 financial year currently stands at 85% against a target of 75%. Even though we have been able to exceed our set target, the performance results do not fully reflect progress towards attainment of the objectives or provisions of the Small Business Act (2003). Since 2009 the organisation has been faced with a serious reduction in the financial resources available to achieve our mandate. Be that as it may, we have continued to mitigate against the reducing financial resources by executing our planned initiatives and projects as best we could. We have had to relook our service delivery model and make changes to ensure that

we prioritise those areas where we have the greatest control and ability to make a difference in our clientele. I should hasten to indicate that we struggled with some of the lagging indicators such as investment value, sustainable jobs created and creating new Small and Medium Enterprises. The low investment value is explained by the stringent/ onerous requirements of financial institutions, especially the restrictive high security requirements.



Chairman's Statement *[continued]*

The 2015-16 financial year represents one of the proudest achievements of LEA as we have been able to successfully graduate three (3) clients, namely Destiny Car Rentals in Francistown, Sephimon Holdings T/A Isabel Guest Suites & Tours and Lifestyle Architects both from Palapye. To fully appreciate the significance of this graduation, one needs to understand that all these enterprises, were created, grew and became competitive and sustainable under LEA. Their graduation affirms that the LEA end-to-end process is effective. It has always been our understanding that our greatest achievement is when our clients no longer require our services as they have learnt to be competitive and sustainable and exist without us. As a Board, this fills our hearts with pride as it indicates that indeed the organisation continues to make a difference in peoples' life.

The NDP 11 is about moving Botswana from a resources based economy to an efficiency led and export led trajectory. This presents an opportunity for our entrepreneurs and SMMEs to play a critical role in growing and diversifying the Botswana economy through creativity and innovation. SMMEs are faced with a new Botswana, where government can no longer lead through government spending, and are required to seize the moment and create business opportunities for the growth of the country and employment creation. LEA through its various programmes and projects such as Incubators and Leather Park will continue to ensure that entrepreneurs and SMMEs are given the opportunity to start and grow their businesses.

Government through the Ministry of Investment Trade and Industry continues to work hard on improving the manner in which we conduct business, and our global competitiveness ranking. We hasten to once more point out that this is the role of every stakeholder.

LEA through its various programmes and projects such as Incubators and Leather Park will continue to ensure that entrepreneurs and SMMEs are given the opportunity to start and grow their businesses.

While maintaining the noble mandate of LEA, a rationalization of the mandates of government entities charged with entrepreneurship development will better channel the currently limited resources and achieve efficiency gains. The duplicity of the mandates of government entities such as; Gender affairs Department, Agri-Business Promotion, Youth Development Fund, and Poverty Eradication and Coordination Unit is a self-defeating rather than an effective way of achieving entrepreneurship development in Botswana.

LEA will however continue to seek more collaboration with other parastatals or Government entities who are providing similar service. LEA will also revise the relevant statutes governing the Authority to allow the Authority to increase cost recovery initiatives and revenue generating avenues, including the prudent exploitation of its diverse properties and assets that the organisation owns.

We are proud to have made progress in the implementation of our two strategic projects, being the Kutla Incubator (formerly the Rapid Incubation Project) and the Leather Industry Park.

Through the Kutla Incubator, LEA is planning to start providing practical training on the production of various commodities using low tech production techniques and processes at the start of 2017. Whereas we would have liked to have started earlier, the process of procuring machinery and securing operational finances has delayed us, resulting in moving the implementation to early 2017.





On the other hand, while there has not been any construction related ground breaking, the 2015/16 financial year had four critical milestones lined up for the Leather Industry Park, namely: the Environmental Impact Assessment (EIA) Study; establishment of the Special Purpose Vehicle (SPV) (which is a company that is going to own, build, operate and maintain all the components of the Leather Industry Park); engagement of a Technical Advisor (responsible for the provision of the technical expertise in all technologies that are recommended at the park) and, the engagement of the Project Manager (who will develop a detailed project report covering architectural, civil, mechanical and electrical drawings for the entire components of the park). These are all critical stages which will ensure both the smooth implementation as well as the eventual success of the project.

We are happy to say the EIA study is ongoing, the appointment of the transactional adviser was successfully completed, the next stage is the creation of the SPV and appointment of the technical advisor and the Project Manager.

I wish to conclude by expressing sincere gratitude, on behalf of the LEA Board, Management and staff, to our parent Ministry of Investment Trade and Industry, represented by the Minister and the Permanent Secretary for their unwavering support to LEA. It is through their support that LEA stands a much better chance to develop enterprises and general entrepreneurship in Botswana. It would be amiss not to appreciate the support given by our various stakeholders who continue to partner with us in our drive to nurture entrepreneurship and sustainable SMME development in the country. I wish to direct special gratitude to the very entities that are the primary basis for our existence, being the SMME community.

Handwritten signature of Batlhatswi S. Tsayang.

Batlhatswi S. Tsayang
Chairman of the Board



Our strategy is aimed at further accelerating business start-ups and growth within the SMME sector of Botswana.

Chief Executive Officer's Statement

HIGHLIGHTS

2 657

entrepreneurs were trained, mentored and coached against a target of 2114

25 189

participants were trained against a target of 24 000

It is my pleasure to present to you yet another report marking a completion of an important milestone. We are elated that this coincides with a generally positive national mood as we celebrate our golden jubilee of independence. These 50 years of independence, have seen huge political, social and economic strides which have earned the country accolades across the world.

We are proud to have played a part in contributing to the economic growth of Botswana and assisting in our country's diversification efforts through the creation and growth of SMMEs in the last nine years. We consider our role in these developmental efforts as one of empowering Batswana to play a more active role in the growth of their economy. At the heart of our efforts is to ensure that more Batswana, start and grow viable, sustainable and competitive businesses.

Despite great developmental strides of the last 50 years, there is general consensus that the next 50 years will require a different approach and a development model centred

on our ability to exploit our country's human capital and talents. This is informed by the economic forecast, where the economic performance of diamonds, which have been the mainstay of the economy, is predicted to be on a decline due to production and market factors. The current situation has been made dire by the fact that our efforts to diversify the economy have not resulted in an optimal outcome. The country has experienced good economic growth that has not translated into economic development for much of the citizenry, hence the high inequality among the population as evidenced by a high Gini Coefficient Index and high unemployment among the youth.

If we are to transit to an efficiency-based economy, as per our aspiration espoused in the draft NDP 11, and achieve our economic development goals, there is a need that we focus our efforts on addressing the challenges that directly and indirectly affect productivity and competitiveness; and LEA is continually striving to address these challenges. Our SMME Sector Development model is based on a simple three pronged approach, and is anchored on the principles of continuous improvement. The three spheres are like a three legged pot, which require equal attention if we are to create viable, sustainable and competitive SMMEs that bring a positive impact to the economy. Over the years,





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Chief Executive Officer's Statement *[continued]*

our strategy has endeavoured to pay close attention to these three areas of facilitating creation of “empowered and competent entrepreneurs”; “conducive entrepreneurial milieu”, and “high quality capacity building interventions and programmes”. Like in our previous progress reports, this year we will continue to update our stakeholders on our achievements, challenges and areas of improvement on these areas.

Central to an entrepreneurial venture, is the entrepreneur; being someone who organizes and manages the enterprise, by taking initiative and assuming all the risks that come with the business. LEA exists to promote and facilitate an entrepreneurship culture through facilitation of enterprise start-ups, and the growth of already existing enterprises in the SMME sector. This is achieved through numerous capacity development interventions ranging from the basic to more advanced business advisory interventions. During the 2015-16 financial year, 113 Small and Medium Enterprises (SMEs) were registered against a target of 127. In addition, a total of 4460 Micro Enterprises (MEs) were registered against a target of 1800. These SMEs and MEs come to LEA requesting a whole host of various interventions. Also during this financial year, we trained, mentored and coached 2657 entrepreneurs against a target of 2114. Furthermore, out of this figure of 2657, the youth accounted for 2033 (994 males and 1039 females). These programmes add value to businesses and entrepreneurs as they lead to skills development, business efficiency, and cost savings, all which play an instrumental role in enterprise competitiveness, growth and expansion.

These capacity development interventions are not an end in themselves, they are aimed at addressing the specific gaps identified in our entrepreneurs to assist them in their effort to start and grow their businesses into internationally competitive and sustainable enterprises, and thereby contributing immensely towards our government's goals of inclusive growth, employment creation and poverty eradication. As regards jobs, a total of 636 jobs were created against a target of 700, and a total Investment Value

of P94.5m was registered against a target of P203m. It is important to note that these jobs were realised as a result of LEA's direct interventions. There were numerous other jobs which were sustained as a result of the interventions that we provide to clients in our database. Also, at the end of 2015-16, three (3) clients graduated from the LEA portfolio as planned. These clients were Destiny Car Rentals in Francistown, Sephimon Holdings T/A Isabel Guest Suites & Tours and Lifestyle Architects both based in Palapye.

The entrepreneurs and enterprises exist within a context, which can either impede or boost business growth. While a good business environment does not necessarily guarantee business growth, an unattractive business environment does stifle business growth. It is for these reasons that LEA continues to prioritise the development of a conducive environment for entrepreneurs and SMMEs. At the centre of our interventions in this sphere is the nurturing of an entrepreneurship culture, provision of productive infrastructure, facilitation of access to finance and development of a comprehensive policy framework to guide and direct Botswana's national entrepreneurship promotion and SMME development efforts.

As a way of inculcating an entrepreneurial culture within Botswana, LEA continues to embark on Entrepreneurship Awareness Workshops (EAW). This programme seeks to promote general entrepreneurship and SMME awareness in accordance with Section 4 of the Small Business Act (SBA). The programme targets secondary school leavers (Form 5's), vocational education trainees, as well as, prison inmates left with at most six months to complete their sentences. During the year up to March 2016, a total of 25189 participants were trained against a target of 24 000. The EAW is one of LEA's flagship programmes that are at the core of nurturing a culture of entrepreneurship in our country. In particular the draft NDP 11, has identified ageing infrastructure and lack of resources together with inadequate productive infrastructure among a number of challenges to be addressed in the next plan. This

supports our current efforts of facilitating productive infrastructure in the leather and manufacturing sectors. Our intervention in these sectors is represented by our two strategic projects, namely the Leather Park Project and the Kutla Incubator. The Leather Park Project is aimed at spurring the sustainable development and growth of Botswana's leather industry by unlocking the value and activities in both the upstream and downstream of the leather value chain. The Leather Industry Park project is back on course as the following important milestones are ongoing; Environmental Impact Assessment (EIA) Study; establishment of a Special Purpose Vehicle (SPV) that will own and operate the Park; engagement of a Technical Advisor responsible for the provision of technical advice as it relates specifically to leather beneficiation; and the engagement of a Project Manager who will develop a detailed project report covering architectural, civil, mechanical and electrical drawings for the entire components of the park.

The Kutla Incubator on the other hand is geared towards the provision of specific and practical production skills on 12 different manufacturing projects targeting the Youth Development Fund and poverty eradication programmes beneficiaries. As per my report last year, the Kutla Project should have its first intake in January 2017.

Over the last few years we have continued to flag the fact that obtaining medium to long-term financing from financial institutions, especially commercial banks, remains the major obstacle for SMMEs in Botswana, particularly for new start-up enterprises. Without timely and adequate finance, SMMEs cannot start, acquire or absorb new technologies, nor can they expand to serve global markets or even establish business linkages with larger firms in the local and international liberalized economic environment. The recent study on the Micro Finance framework has established that about 75% of our entrepreneurs/SMMEs rely on informal sources of funding, such as family, to establish their businesses. Without adequate sources of financing being available



to SMMEs, such will continue to inhibit the ability of LEA to facilitate the establishment of new start-ups and also grow existing businesses. We are hopeful that the approval and the implementation of the National Entrepreneurship Policy, which has identified “access to start-up financing and seed capital” as a serious challenge, will assist in ensuring availability and easy accessibility of finance and seed capital for new pre-start-ups, growth-oriented enterprises, and high-tech enterprises that are fundamental for entrepreneurship development. The National Entrepreneurship Policy is to be presented to Cabinet and Parliament during the next financial year.

On the backdrop of the foregoing the overall organizational performance for the 2015-16 financial year stood at 85% against a target of 75%. The above achievements are remarkable as they occur in the face of constricted budgetary resources, and unattractive staff remuneration packages which have resulted in talent drain. The dawn of the global economic recession coincided with LEA at its infancy of operation, where the extent of our operational budget was not fully established as we were just beginning to roll out our interventions. As a result, since 2010 the organisation has operated under a severely constricted budget, thus having to curtail and cut back on some of its core activities. These include having to reduce

the number of training and mentoring interventions, together with the monitoring visits to our clients.

The effect of the budgetary constraints is mainly felt on our Human Resources. We are not able to offer competitive remuneration packages, resulting in us losing talent and our inability to replace this talent. Once employees have gained the necessary expertise and experience, they are attracted by other better paying institutions. Be that as it may, LEA remains committed to high service standards, excellence and most importantly the principles of continuous improvement. It is for these reasons that the organisation continues to maintain the Quality Management System ISO 9001:2008 certification.

We are however hopeful for better funding going forward in light of the fact that LEA’s mandate as a capacity development entity for the SMMEs is at the heart of government efforts of inclusive economic growth, job creation and poverty eradication.

Despite the achievement of the targets that we had set ourselves, it should be noted that LEA could have achieved much more, and would have rolled out its services to a wider populace had it not been operating under severe financial constraints during the 2015/16 Financial year. The budget

constraints have resulted in limited provision of critical interventions necessary for creation and sustenance of the jobs for the SMMEs. LEA needs to be resourced reasonably in order for it to deliver on its role of empowering the SMMEs to be the engines of economic growth and wealth democratisation in our country.

Let me conclude by extending our appreciation to the Ministry of Investment Trade and Industry for their continued support towards LEA. I also thank the Board for the much valued strategic guidance and direction that they provide. Salutation also goes to my colleagues, the LEA management and staff, for their unrelenting hard work and dedication towards this organisation. Equally importantly, I thank our customers and stakeholders; our customers for the trust they continue to have in the quality of our interventions, and our stakeholders for their support and partnership in the implementation of our various initiatives.

Tebogo T.K. Matome
Chief Executive Officer’s

Corporate Governance Statement

In an effort to live up to the expectation of high standards of corporate governance, the LEA Board developed its Board Charter.

BOARD AND GOVERNANCE

LEA embraces and subscribes to corporate governance and best practices in business. The Authority adopts and applies where application, the recommendations of the King IV Report. The Small Business Act of 2004 however remains the main overall governing tool that the Authority derives its mandate from.

In recent years the Government through the Public Enterprise Evaluation and Privatisation Agency (PEEPA) has advocated for the adoption of good governance and best practice. In its efforts to live up to the expectation of high standards of corporate governance, the LEA Board developed its Board Charter. This charter is an instrument that is intended to guide the operations and business of the Board by clearly outlining its mandate, composition and authority. In addition to the Board Charter, the four Board Sub-Committees are also governed by their respective Terms of Reference.

In 2015, the Board also developed and signed a Shareholder Compact to formalise its relationship with Government as a shareholder through the Ministry of Investment, Trade and Industry. Its purpose is to reflect the expectations of each party in terms of the outcomes that need to be achieved while strengthening corporate governance.

Board Committees

The LEA Board has a current membership of ten (10), wherein the members are experts in various fields. The LEA Board has four (4) sub-committees that provide strategic guidance to the organization in compliance with the statutory requirements.

Technical Advisory Committee

The Technical Advisory Committee provides strategic guidance on projects that form part of the LEA mandate. The Committee further deals with matters of the following nature:

- Providing business planning, training and advisory services;
- Identifying business opportunities for existing and future SMMEs;
- Promoting domestic and international linkages, especially between SMMEs and government, large business entities and other SMMEs;
- Facilitating changes in regulation, quality management systems and standards, infrastructure and access to finance;
- Facilitating technology adoption and diffusion;

- Promoting general entrepreneurship awareness;
- Setting and monitoring of performance targets of the organization.

Human Resource Committee

The Human Resource Committee considers human resource matters of a strategic nature such as the appointment of executive management, and ensuring the development, adoption and implementation of human resource policies. Additionally, the committee deals with creating a conducive environment for the attraction and retention of quality human resources for LEA.

Finance and Audit Committee

The Finance and Audit Committee advises the Board on financial and audit related matters. The Committee ensures that financial resources are aligned with the organization's strategic direction, as well as promoting and ensuring transparency and accountability in all financial matters. Where necessary, the Committee has powers to institute investigations of a financial and/or administrative nature to protect the interests of the Authority.



Board Tender Committee

The Board Tender Committee considers and makes decisions on all tenders and tender related matters.

Risk Management

The LEA Board recognizes that effective management of risk is essential to good corporate governance. In an effort to ensure that the organization is prepared to promptly and positively mitigate risks which may be encountered during the course of business, the following mechanisms have been established by the LEA Board through the Finance and Audit Committee;

Enterprise-wide Risk Management (ERM) Framework

The organization has implemented an ERM framework from which a comprehensive corporate risk register is generated. The risk register identifies risks which could have a negative impact on the achievement of corporate and business objectives, as well as identification of control measures necessary for mitigating these risks. Regular reviews are conducted to assess and update the risk register. The Board has charged Management with the responsibility of managing risk and implementing mitigation measures within the organisation.

Safety, Health and Environment (SHE) Structures

LEA maintains SHE structures throughout its branch network to continuously improve on safety, health and environmental concerns within the workplace in terms of conducting SHE inspections, appointment and training of SHE representatives, first aiders and fire marshals.

Business Continuity Plan (BCP)

The organization implements a Business Continuity Plan to ensure minimal disruption to critical business processes and operations in the event of a disaster. During the period under review, detailed continuity plans were implemented for the following critical business processes; Information Technology (IT) services, Human Resources (HR), Finance, Shared Services (Procurement) and Corporate and Stakeholder Communications. Management continuously reviews the continuity plans for adequacy, relevance and completeness.

Internal Audit

The Internal Audit department is an independent assurance provider that undertakes reviews geared towards providing assurance to the Board, Management and LEA stakeholders on matters relating to:

- Efficiency and effectiveness of risk management, control and governance.
- Reliability of financial and operational reporting.
- Compliance with policies, procedures and laws.
- Safeguarding of organizational assets.

The Finance and Audit Committee reviews and approves the Risk Based Internal Audit Plan. Internal Audit reports are submitted to the Finance and Audit Committee on a quarterly basis on the outcomes of reviews performed. The Internal Audit function has been instrumental in reviewing the organization's risk management practices and strengthening of the overall control environment.

The Committee has considered and is satisfied with the effectiveness of the Internal Audit function. The Board continues to support and place reliance on the work of Internal Audit.

Internal Control

The internal control and risk management processes associated with financial and operational reporting have been planned in such a way that they produce sufficient certainty over the reliability of reporting, and to ensure that the applicable laws and regulations have been complied with. The LEA Board of Directors has approved the corporate policies on which the control environment is based, as well as the policies relating to risk management and corporate governance. The financial reporting process incorporates internal control principles pursuant to the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission).

The Code of Conduct approved by LEA's Board of Directors is based on LEA values and defines the ethical principles through which business operations are conducted.

Fraud Policy and Whistle-blowing Hotline

In an effort to dissuade unethical business practices and promote transparency, the organization has adopted a Fraud Policy and an independent Whistle-blowing Service through which wrongdoing may anonymously be reported. The policy also provides for the protection of whistleblowers. General staff members are also sensitized on the Fraud Policy and the Whistle-blowing Service.

Promotion of Citizen Entrepreneurship

Entrepreneurship promotion is also attained through participation at various outreach activities.

In promoting entrepreneurship and sustainable SMME development in Botswana, LEA implements programmes that up-skill and capacitate entrepreneurs to start and grow their businesses.

One such is the Entrepreneurship Awareness Workshops (EAW), which inculcates a culture of entrepreneurship amongst Batswana from an early age. The workshops introduce entrepreneurship and enterprise development as an alternative to formal employment. During the 2015-16 financial year, 25189 participants benefited from these workshops, against a target of 24 000. These consisted of final year students at senior secondary schools, technical colleges and brigades.

Entrepreneurship promotion is also attained through participation at various outreach activities that present an opportunity for LEA to market the mandate and service offering to the public at large. These platforms include mobile stops, roadshows, career fairs, Kgotla meetings, trade fairs and market days among others. During the 2015-16 financial year, LEA attended 566 outreach activities against a target of 338.





Diversification of the economy

The purpose of establishing the Leather sector park is to unblock those limiting factors in the value chain and revive the leather industry in Botswana.



Key Strategic Projects

During the period under review, LEA made strides in implementing some of the key projects that it has been tasked by Government to implement. The Leather Industry Park and the Kutla Incubation Centre are being implemented to address gaps such as lack of finished leather and lack of entrepreneurial skills amongst Botswana respectively.

Leather Industry Park

The LEA value chain studies and other studies have uncovered many blockages in the leather value chain. The purpose of establishing the Leather sector park is to unblock those limiting factors in the value chain and revive the leather industry in Botswana. The leather industry has relied on imported finished leather for many years, hence making it difficult to quickly develop the sector. The leather park will catalyze manufacturing of all leather products in the country. This project is aimed at processing all the hides and skins generated locally into finished leather.

The leather industry park with a Common Effluent Treatment Plant was adopted as a development model to address lack of finished leather for SMMEs and create enabling environment for them to thrive in this sector.

The 2015-16 financial year saw the implementation of the project milestone for the leather park project. Major activities carried out as at 31st March 2016 are the scoping stage for the Environmental Impact Assessment (EIA) study and submission of the report to the Department of Environmental Affairs (DEA) for consideration. On the other hand, the establishment of a Special Purpose Vehicle (SPV), a company which will own, build, operate and maintain the Leather Industry Park started in November 2015.

The LEA in collaboration with the Ministry of Agriculture conducted consultations with key stakeholders in September 2015 to raise awareness on hides and skins improvement and related Acts. Further consultations with the Botswana Meat Commission, Lobatse Town Council and the Lobatse community were also held during the period under review. In addition, four regional workshops were held in Palapye, Gaborone, Kang and Maun regarding the Leather Industry Park.

Kutla Incubation Centre

The implementation of the Kutla Incubation Centre is meant to address lack of entrepreneurial skills amongst the out of school youth and the disadvantaged groups in the society. In addition, the model will empower the potential beneficiaries of Government schemes before disbursement of funds to reduce project failure rates. The program although similar to the conventional LEA Incubation, will differ in short time apprenticeship inclination.

The 12 projects that will be incubated are: toilet roll manufacturing, maize flakes (corn flakes), biscuit (cookies)/bread making, sunflower oil extraction, detergent liquid making, packaging solutions (granules and powder), tomato ketchup, wire nail making, socks knitting, soya milk extraction, potato wafers making and ice cream cone manufacturing.

Refurbishment of the premises is complete except for modifications which include additional toilets, provision of natural ventilation in some offices and water connection. Acquisition of plant machinery is in progress, with 10 out of 12 plants having been acquired from India, and expected to be delivered in June 2016. Regarding human resources for this project, all relevant personnel have been identified, and will be offered as soon as the project funds are availed.

Horticulture 40 project

The Horticulture 40 project aims at affording horticulturalists an opportunity to produce various crops in a commercial set-up, an exercise that will improve local production and therefore reduce importation of fruits and vegetables. LEA therefore continues to engage and consult with stakeholders such as the Ministry of Agriculture and the Ministry of Lands, in order to allocate horticulture plots to farmers who LEA has identified to have the right skills and experience to operate farms along the eastern corridor of Botswana.

RESEARCH STUDIES

During the 2015-2016 financial year, the Local Enterprise Authority concluded four research studies namely: the Fishery Value Chain Analysis, The Botswana Meat Commission by-products Study, the Customer Satisfaction Survey and Kutla Incubation Centre Market Profiles. The need to carry out these studies is as per the Small Business Act which requires the Authority to conduct market surveys for the benefit of SMMEs.

Fishery Value Chain Analysis

The main objective of this study was to analyze the performance of the Botswana fishery industry with the view to map its value chain for future development and identification of business opportunities for uptake by SMMEs. The study identified the infancy nature of the industry and the main blockages that will need to be addressed to facilitate entry and establishment of sustainable businesses within the sector. The lack of skills in

aquaculture, inadequate extension services and the lack of fish processing facilities were some of the inhibiting factors identified. The business opportunities identified in this study include amongst others establishment of fish farms, fingerlings production, fish feeds processing, cold chain transport and fish processing plants.

Botswana Meat Commission by-products study

The main objective of this study was to establish and quantify the unutilised beef by-products from the Botswana Meat Commission, with a view to identifying business opportunities for uptake by SMMEs. The study confirmed that tallow, one of the identified by-products from this study, will in future be used as raw material in the manufacturing of soap at the Kutla Incubation Centre. The other identified by-products that are currently not fully exploited are bile, hairballs, serum, blood and carcass meal.

Kutla Incubation Centre Market Profiles

LEA conducted five market profiles for the following products that will be piloted at the Kutla Incubation Centre; bread making, sunflower oil extraction, biscuits making, toilet paper manufacturing and maize flakes making. The market profiles will provide key market information for the project beneficiaries as they establish their own businesses after the training.

Customer Satisfaction Survey

LEA as an ISO 9001:2008 certified organization regularly collects customer feedback through the conduct of the Customer Satisfaction Surveys. The 2015-2016 Customer Survey returned a satisfaction level of 87% against the organizational target of 80%, indicating that LEA customers are highly satisfied with its products and services.

Development of a Competitive SMME Community

LEA assisted Enterprises were coached and mentored on various aspects including branding, packaging and labelling, Intellectual Property Rights (IPR), management systems certification and product certification.



BUSINESS PLANNING AND CREDIT FACILITATION

During the 2015-16 financial year, the organization facilitated development and submission of 69 business plans worth P33.1 million to various financing institutions. The business plan development process remains a functional pre-requisite to increase investment value through converted business plans, number of new SMMEs, and employment creation.

However, the business plan approval rate remains low as financiers continue to regard SMMEs as high risk and therefore apply overly cautious measures on consideration for funding. LEA will continue to take a proactive approach in recruitment of new businesses with potential for business plan development by conducting targeted outreach programmes in order to assist Batswana start and grow their businesses.

NUMBER OF NEW SMMES

LEA continues to enroll new SMMEs into its portfolio, as evidenced by 113 SMEs registered against a target of 127, and 4460 MEs registered against a target of 1800. The surge in the number of new SMMEs seeking LEA services was mainly a result of the intensified outreach programmes undertaken during the period such as roadshows to market LEA services, and the demand for our service to meet the requirements for obtaining grants from the Department of Gender affairs and the Ministry of Youth, Sport and Culture.

TRAINING AND SKILLS DEVELOPMENT

During the financial year 2015-16, the Authority administered basic business training to a total of 2049 participants (LEA and non- LEA clients) against the targeted 1700. They were trained on Entrepreneurship Development Training (EDT), business planning, sales and marketing and records keeping. In addition, 464 Small and Medium

Enterprises received advanced sector specific training in food safety, vegetable production and the use of agro-chemicals. They were also trained on customer care, corporate governance, computer skills and finance for non-finance Managers.

Furthermore, 144 LEA assisted Enterprises were coached and mentored on various aspects consisting of branding, packaging and labelling, Intellectual Property Rights (IPR), management systems certification and product certification.

CLUSTER DEVELOPMENT

The Authority continues to create awareness amongst business owners across sectors, on the benefits they can derive from clustering. During the 2015-16 financial year, 29 small stock and dairy farmers in Mahalapye were trained on clustering and forming associations that will boost their businesses going forward. In an endeavour to facilitate implementation of the cluster concept, the LEA has facilitated



the registration of the Lake Ngami Fishermen to form a functional cluster. The cluster was also assisted to develop a business proposal/plan to seek funding for its operations.

CREATION AND DEVELOPMENT OF LINKAGES

The Authority, working in collaboration with stakeholders, continues to facilitate exposure to potential markets for assisted SMMEs. During the 2015-16 financial year, a total of 50 LEA SMEs were assisted to attend trade fairs at subsidized rates. Trade fairs gave exhibiting enterprises an opportunity to meet buyers of various products and services, as well as discuss market requirements to be met. The clients also used the trade fairs to share ideas with other exhibitors and developed networks that enhance business growth. A total of six (6) local trade fairs were attended, namely Business Botswana Northern Trade Fair, Gantsi Agricultural Show, Chobe Agricultural Show, National Agricultural Show, Consumer Fair and the Global Expo.

The Authority also partnered with the Botswana Investment and Trade Centre (BITC) and the Botswana Tourism Organization (BTO) to facilitate for SMEs participation at the Southern African International Trade Exhibition (SAITEX) in South Africa, the Zimbabwe International Trade Fair, the Maputo International Trade Fair and the Indaba Travel and Tourism Fair in South Africa.



Business Incubation Programme

The produce was also of good quality and supplied to a number of wholesalers and retail stores.

ADOPTED MODELS FOR LEA INCUBATORS

The Glen Valley Horticulture Incubator training with production model is progressing well and has attracted a number of clients. Unlike in the other incubators with a two year incubation programme, the Glen Valley programme is only one cropping season which is nine months for the current crop (tomato production).



The Pilane Multi-Purpose Incubator implementation of the re-modelling process to change it into a food processing and manufacturing industry has been successful, with all the shells having been converted accordingly. Accreditation of trainers with BQA has also started. During the period under review, the incubator had an occupancy rate of 100%, with tenants engaging in various activities such as food processing, chemical production, textiles and door mats manufacturing.

The overall performance of the incubator was satisfactory as the incubatees complied with training requirements, with only one client dropping out due to non-compliance out of the 14 clients who were incubated. The produce was also of good quality and supplied to a number of wholesalers and retail stores.

The Gaborone Leather Industries Incubator has been converted into a training and incubation centre. Training was conducted for Gaborone Technical College for three groups (each group had 25 learners) and a tannery group of seven from Mabesekwa village in the Central District. Accreditation of LEA trainers is ongoing with the Botswana Qualification Authority (BQA). Average performance of the incubator was low during the period under review due to difficulty in sourcing raw material as most leather used is imported. As at March 2016, the incubator was 75% occupied, and incubatees manufactured leather products such as belts, handbags, traditional attire and crafts.

The Francistown Industrial Business Incubation (FIBI) is implementing the re-modelling operations of a multi sectorial incubator dealing with metal works, carpentry, textiles and other services. FIBI intends to leverage on the mining sector around Francistown, to manufacture and supply special machine parts required by the mines. As at March 2016, the occupancy rate stood at 50%, and accreditation of trainers with BQA is in progress.

Re thusitse Bush Fashion Creators go e batlela mmaraka.



Access to Market

Ko LEA re ka go thusa ka go go batlisa mebaraka e mesha go rekisa dithoto le ditirelo tsa gago.

#BotsaLEA

For enquiries, call LEA toll-free number:
0800 155 155 or email: botsalea@lea.co.bw
or visit your nearest branch.

Tla re go
thuse, go
bona
mebaraka



LOCAL ENTERPRISE AUTHORITY

"Mogwebi, re go tlhoma kwa pele."

Training • Mentoring • Market Access • Technology Support

2015 Botswana SMME Pitso & Seminar

The platform allows sharing of success stories and collective mapping of solutions to improve the business environment for SMMEs to flourish.



The Local Enterprise Authority on the 23rd April 2015 facilitated and hosted the 5th annual SMME Pitso and Seminar under the theme “Unlocking SMMEs Potential: A Key to Competitiveness and Economic Diversification.”

The Pitso is a stakeholder engagement initiative that aims at bringing together all stakeholders that have a role in the development of the SMME sector in Botswana, to deliberate on issues that concern the SMMEs. The platform also allows sharing of success stories and collective mapping of solutions to improve the business environment for SMMEs to flourish.

The 2015 Pitso drew participants from the Parastatals, Government Ministries, and Departments, the private sector, the SMMEs and the general public. The SMME Pitso was officially opened by the Minister of Investment, Trade and Industry Hon. Vincent T. Seretse, with a local businessman and owner of AT & T Transport Mr Abel Monnakgotla as the Guest Speaker.

Seminars

The 2015 SMME Pitso also featured seminars which were conducted by various stakeholders consisting of capacity building institutions, buyers, financial and business development institutions. The seminars serve as information dissemination fora, where SMMEs interact with facilitators to discuss services they offer, for the advancement of their enterprises. The eight organizations that presented were the Economic Diversification Drive (EDD) Unit of the MITI, Botswana Exporters and Manufacturers Association (BEMA), Botswana Tourism Organization (BTO), Selibe-Phikwe Economic Diversification Unit (SPEDU), Competition Authority (CA), BancABC, Public Procurement and Asset Disposal Board (PPADB) and Botswana Unified Revenue Services (BURS).



COLLABORATIONS

The Local Enterprise Authority continues to engage in strategic partnerships with other institutions, in order to enhance service delivery and widen the base of LEA interventions' recipients. During the 2015-16 financial year, the Authority collaborated with the following stakeholders:

Department of National Internship Programme (DNIP)

LEA and the DNIP collaborated on the youth business mentorship initiative that aims at attracting young start-up entrepreneurs, who can be mentored by existing businesses through on-the-job training. The entrepreneur is attached to the sponsoring company that they are in the same line of business with. The programme provides the youth an opportunity to learn necessary business management skills and prepare

them to manage their own businesses in future. The DNIP identifies "would-be-entrepreneurs" and provides them with an allowance during their year of mentoring. Seven intern officers were attached to LEA assisted enterprises during the 2015-16 financial year.

Ministry of Youth, Sports and Culture (MYSC)

LEA collaborated with the Ministry of Youth, Sports and Culture in order to assist the youth projects with training and mentoring. The initiative was prompted by the fact that many youth projects were either collapsing or struggling to sustain, as such, there was a need to partner with the Ministry to empower the youth officers with relevant skills needed to monitor youth projects/beneficiaries. This financial year alone the LEA trained 61 Officers on project management, against a target of 75. The training for youth officers came to an end in August 2015.

Directorate of Public service Management (DPSM)

The partnership between LEA and DPSM was necessitated by the need to equip some of the DPSM officers with relevant business skills that could enable them to start their own businesses. LEA then offered Entrepreneurship Development Training and Entrepreneurship Awareness Workshop (EAW) to 257 and 229 officers respectively.

Botswana Institute for Technology Research and Innovation (BITRI)

LEA trained 55 BITRI officers on Entrepreneurship Development Training (EDT), while 53 were trained on business planning.

Ministry of Lands and Housing (MLH)

Twenty-two employees of the Ministry of Lands and Housing received Entrepreneurship Development Training (EDT) from LEA.

Botswana Accountancy College (BAC)

LEA and Botswana Accountancy College (BAC) signed a five year Memorandum of Understanding (MoU) in 2014, where the College students would be attached to LEA assisted enterprises to acquire practical skills, identify challenges faced by the enterprises as well as devise relevant remedies to improve these businesses. The project implementation continued in 2015-16 where 50 students were attached to 10 SMMEs in Gaborone, Molepolole, Ramotswa and Mochudi, compared to 17 students attached to five enterprises during the 2014-15 financial year.

Enhancing Service Delivery

LEA is counted amongst the over 1.5 million organizations worldwide that are committed to customer satisfaction through the ISO 9001:2008 standard.



THE LEA QUALITY MANAGEMENT SYSTEM

The Authority recognises the importance of customer certification hence the continued commitment to the Quality Management System (QMS) in its endeavour to standardize service delivery within all its customer touch points.

LEA maintains a QMS in accordance with the requirements of the international ISO 9001:2008 Standard. The QMS was first certified in 2009 by the Botswana Bureau of Standards (BOBS). The 2015-2016 financial year marked another milestone for the LEA QMS, as the LEA's BOS ISO 9001:2008 license was re-validated for another three (3) years, subsequent to a rigorous re-certification audit by BOBS. This second re-

certification, since 2009, extended the certification validity period from 14th August 2015 to 13th August 2018, subject to bi-annual surveillance audits in the interim. In possession of a certified QMS, LEA is counted amongst the over 1.5 million organizations worldwide that are committed to customer satisfaction through the ISO 9001:2008 standard.



LEA and its Human Resources

307

STAFF COMPLEMENT
across LEA offices
countrywide.



In an effort to ensure the implementation of the LEA strategy, the organization continues to recruit and strive to retain its personnel. This is achieved in part by motivating staff through various platforms and creating a conducive working environment. Staff Engagement remains one of the key initiatives ensuring that the staff is meaningfully engaged and have a sense of fulfilment working for the Authority.



As at 31st March 2016, the Authority's staff complement stood at 322 against an establishment of 349, (which is an increase of 4.9%) as compared the March 2015 figure of 307. During the period under review, the Authority was faced with challenges in terms of staff

turnover. The actual turnover for all staff stood at 7.5% against a target of 13%, which is the same as the turnover realised in the 2014-15 financial year. However, 38% of the turnover was from mission critical positions, translating into actual turnover of 7.3% against the target of 7% set for mission critical staff. This shows negative performance against our target on staff retention which impacts delivery of the LEA mandate.

Capacity building

In order to drive the organizational strategy and implement the planned projects, LEA trained 195 employees during the period, an increase from the 127 trained in the previous year. The training focused on capacity building in entrepreneurship development, small business promotion as well as improvement of skills for support services staff. With these training programmes, employees were motivated to enhance service delivery as they assist the entrepreneurs to start and grow their businesses. The employees are also encouraged to enrol for self-development programmes, while the Authority accords them study advances and examination leave during their period of study.

Staff welfare

In recognition and appreciation of the employees' commitment and contribution in the attainment of the organizational objectives, two employees were awarded for having served the Authority for 10 years, while 31 received five years' service awards. The total number of employees who have been with the organization for more than five years continues to grow, and this is a positive development as it enhances continuity in the organization.

In an effort to improve staff engagement, LEA engaged Independent Counselling and Advisory Services (ICAS) Botswana to provide Staff Wellness Programmes such as counselling services, motivational health talks and Management Consultancy Support to staff members in need of these services. The services have proven to boost staff morale and engagement, as they also give support on work and psycho-social related matters. As at March 2016, 72 employees had utilized the ICAS services, compared to 46 during the 2014-15 financial year.

Employee relations

Ever since LEA signed a recognition agreement with the Botswana Public Employees Union (BOPEU) in September 2014, the parties continue to engage each other in a harmonious environment with the common goal of creating a conducive work relationship. The parties engage through the Joint Negotiations Consultative Committee which holds quarterly meetings.

LEA Corporate Social Investment (CSI) Initiatives

These efforts depict that the organization is alive to the socio-economic challenges experienced by the communities that LEA serves.



In a bid to heed the Ministry of Education and Skills Development "Adopt a School" initiative, as well as uphold the Vision 2016 Pillar of "An Educated and Informed Nation", LEA adopted Mpiti Primary School in Matobo village for a three year period.

The three year partnership between the school and LEA ended in 2015, with the Authority sponsoring yet another prize giving ceremony, a gesture that aimed at awarding and motivating outstanding performance amongst the pupils. In addition, the 2015 prize giving ceremony saw the Authority award students an innovative mobile study table called Desk Buddy, which has a solar lamp to aid the students to study even when there is no electricity.

Furthermore, the Serowe Branch donated clothing to the SOS village in Serowe, while Masunga Branch handed groceries to a needy family in Semitwe village in the Tutume Sub-District. These efforts depict that the organization is alive to the socio-economic challenges experienced by the communities that LEA serves as a business development service provider, and intends to continue uplifting the livelihoods of the beneficiaries in Botswana.





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LOCAL ENTERPRISE AUTHORITY

ANNUAL FINANCIAL STATEMENTS

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AUTHORITY INFORMATION

Business operations

To promote and facilitate entrepreneurship and SMME development in Botswana through targeted interventions in pursuit of economic diversification.

Authority registration

The Authority was incorporated under the Small Business Act No.7 of 2004

Members of the Board

Mr Batlhatswi Tsayang (Chairman)
Mrs Masego Marobela
Mr Oabile Regoeng
Mrs Patience Motswagole
Mr Thatayaone Molefhi
Mrs Bilkiss Moorad
Mr Rockie G. M. Mmutle
Ms Nelly Wamasego Senegelo
Dr Haniso Motlhabane
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Registered address

2nd Floor, Block A, Plot 50676
Fairgrounds Office Park
Gaborone

Postal address

Private Bag 191
Gaborone

Auditors

PricewaterhouseCoopers

Bankers

Standard Chartered Bank Botswana Limited
First National Bank of Botswana Limited
Barclays Bank of Botswana Limited

STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

for the year ended 31 March 2016

The Members of the Board of the Local Enterprise Authority are responsible for the annual financial statements and all other information presented therewith. Their responsibility include the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Small Business Act Botswana (Cap. 25).

The Authority maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of Authority assets. The Members of the Board are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the Members of the Board to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. The Members of the Board have no reason to believe that the Authority will not be a going concern in the foreseeable future based on forecasts and available cash resources and support from Government of Botswana.

Our external auditors conduct an examination of the financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Members of the Board .

The financial statements set out on pages 47 to 69 and the supplementary information on annexure I to II were authorised for issue in accordance with a resolution of the Members of the Board on 1 November 2016 and are signed on their behalf by:



Chairman



Chief Executive officer



INDEPENDENT AUDITOR'S REPORT

to the Members of Local Enterprise Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Local Enterprise Authority, which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, changes in funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 47 to 69.

Members' Responsibility for the Financial Statements

The Authority's members are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 give a true and fair view of the financial position of Local Enterprise Authority as at 31 March 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Individual practising member: Butler Phirie

Practising number: 19900312

Gaborone

Date: 18 November 2016

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Country Senior Partner: B D Phirie
Partners: R Binedell, A S Edirisinghe, L Mahesan, R van Schaikwyk, S K K Wijesena

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Notes	2016 P	2015 P
Revenue grants		147,708,000	144,200,000
Amortisation of capital grants	13	6,565,746	11,008,532
Other operating income	4	6,120,690	2,330,027
Recurrent expenditure	4	(171,555,611)	(156,993,175)
Operating (deficit) / surplus		(11,161,175)	545,384
Finance income	6	1,547,286	1,836,135
Net (deficit) / surplus for the year		(9,613,889)	2,381,519
Comprehensive income		-	-
Total comprehensive (deficit) / surplus for the year		(9,613,889)	2,381,519

STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	Notes	2016 P	2015 P
ASSETS			
Non-current assets			
Property, plant and equipment	9	82,858,221	78,736,898
Intangible assets	10	14,770,492	-
		<u>97,628,713</u>	<u>78,736,898</u>
Current assets			
Receivables and prepayments	11	6,278,901	7,014,846
Cash and cash equivalents	12	33,645,670	32,929,277
		<u>39,924,571</u>	<u>39,944,123</u>
Total assets		<u>137,553,284</u>	<u>118,681,021</u>
FUNDS AND LIABILITIES			
Funds			
Accumulated (deficit) / surplus		(7,302,270)	2,311,619
		<u>(7,302,270)</u>	<u>2,311,619</u>
Non-current liabilities			
Capital grants	13	94,132,027	94,697,775
Current liabilities			
Trade and other accounts payable	14	49,871,192	18,910,702
Borrowings	15	852,335	2,760,925
Total liabilities		<u>50,723,527</u>	<u>21,671,627</u>
Total funds and liabilities		<u>137,553,284</u>	<u>118,681,021</u>

STATEMENT OF CHANGES IN FUNDS

as at 31 March 2016

	Accumulated (deficit)/ Surplus P
Balance for the year ended 31 March 2015	
Balance at 01 April 2014	(69,900)
Total comprehensive surplus for the year	2,381,519
Balance at 31 March 2015	2,311,619
For the year ended 31 March 2016	
Balance at 01 April 2015	2,311,619
Total comprehensive deficit for the year	(9,613,889)
Balance at 31 March 2016	(7,302,270)

STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Notes	2016 P	2015 P
Operating deficit for the year		(11,161,175)	545,384
Adjusted for:			
Non cash items			
Depreciation of Property, plant and equipment	9	5,882,122	8,732,857
Amortisation of capital grants	13	(6,565,746)	(11,008,532)
Amortisation of intangible assets	10	4,923,497	-
Profit on disposal of property, plant and equipment		(678,981)	(117,750)
Changes in working capital			
Receivables and prepayments		803,342	4,068,353
Trade and other accounts payable		30,960,490	1,336,624
		24,163,549	3,556,936
Net cash generated from operating activities		24,163,549	3,556,936
Cash flows from investing activities			
Interest received	6	1,479,889	1,793,507
Acquisition of property, plant and equipment	9	(10,003,445)	(6,949,491)
Acquisition of intangible assets	10	(19,693,989)	-
Proceeds from disposal of property, plant and equipment		678,981	117,750
Net cash used in investing activities		(27,538,564)	(5,038,234)
Cash flows from financing activities			
Capital grants received	13	5,999,998	24,000,057
Net cash generated from financing activities		5,999,998	24,000,057
Net increase in cash and cash equivalents		2,624,983	22,518,759
Cash and cash equivalents at beginning of year		30,168,352	7,649,593
Cash and cash equivalents at end of year	12	32,793,335	30,168,352

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2016

General information

Local Enterprise Authority carries on the business to promote and facilitate entrepreneurship and enterprise development in Botswana through targeted interventions. The entity is an authority, a Government parastatal, incorporated and domiciled in Botswana. The address of its registered office is 2nd floor; Block A, Plot 50676, Fairgrounds Office Park, Gaborone. The financial statements set out on pages 47 to 69 have been approved by the Members of the Board on 1 November 2016.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.1 Changes in accounting policy and disclosure

(a) New and amended standards adopted by the Authority

The following new standards, amendments and interpretations to existing standards are mandatory for the company's accounting periods beginning on or after 1 April 2015.

- IFRS 13, 'Fair value measurement' (Amendment): When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. (Effective from 1 July 2014)

- IAS 24, 'Related party disclosures': The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity') (Effective from 1 July 2014)

(b) New and amended standards applicable to the current period but not applicable to the Authority.

Management assessed the relevance of the following new standards, amendments and interpretations with respect to the Authority's operations and concluded that they are not relevant to the Authority.

- IFRS 13 'Fair value measurement', The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. (Effective 1 July 2014)
- IAS 40, 'Investment property' -The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. (Effective 1 July 2014)
- IFRS 3, 'Business Combinations' -The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. (Effective 1 July 2014)
- IAS 19 'Employee benefits', on defined benefit plans (Amendment) : The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. (Effective 1 July 2014)
- IFRS 1, 'First-time adoption of International Financial Reporting Standards': The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. (Effective from 1 July 2014)
- IFRS 8 'Operating segments', (Amendments) -The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. (Effective 1 July 2014)

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2016

1.1 Changes in accounting policy and disclosure (continued)

(b) New and amended standards applicable to the current period but not applicable to the Authority. (continued)

- IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets', Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. (Effective 1 July 2014)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Authority

The following new standards, amendments and interpretations to existing standards are mandatory for the Authority's accounting periods beginning on or after 1 April 2015. These have not been early adopted by the company.

New standards, amendments and interpretations which are relevant to the Authority's operations

- IAS 1, (Amendment) – 'Presentation of financial statements' disclosure initiative. In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Effective from 1 January 2016)
- IFRS 7, 'Financial instruments; disclosures': The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report. (Effective from 1 January 2016)
- IFRS 9, Financial Instruments (2009 & 2010) financial liabilities, derecognition of financial instruments, financial assets & general hedge accounting: The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss. (Effective from 1 January 2018)
- IAS 7 '– Cash flow statements' (Amendments) In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. (Effective 1 January 2017)
- IFRS 16-A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. (Effective 1 January 2019)

Management is currently assessing the impact of the application of these new standards, amendments and interpretations on the Authority's financial statements in the period of initial application. At this time, the adoption of these standards and interpretations is only expected to have an impact on the classification and disclosure of items in the Authority's financial statements.

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 20156

1.2 Property, plant and equipment

All property, plant and equipment are included at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to their residual values over their estimated useful lives as follows:

Land and buildings	40 years
Leasehold improvement	5 years
Plant and equipment	4 years
Furniture and fittings	10 years
Office equipment	5 years
Motor vehicles	4 years
Computer equipment	4 years
Library books	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses) in the statement of comprehensive income.

1.3 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.4 Financial assets

1.4.1 Classification

The Authority classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Authority's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 1.5 and 1.6).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

There are no financial assets classified as fair value through profit or loss and available-for-sale at the reporting date.

1.4.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Authority commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Loans and receivables are carried at amortised cost using the effective interest method.

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2016

1.4.2 Recognition and measurement (continued)

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

1.4.3 Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 1.5.

1.4.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.5 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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 statement of comprehensive income.

When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the income.

1.6 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.7 Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the Authority.

Grants relating to the acquisition of property, plant and equipment are credited to other comprehensive income on a straight line basis over the expected useful lives of the related assets. The related assets are shown at cost less accumulated depreciation. When an asset financed through capital grants is disposed of, the total unamortised portion of the capital grant relating to the asset is credited to the statement of comprehensive income in the year of disposal.

Operating grants are recognised in the statement of comprehensive income in the period in which the related expenditure is incurred. Grants received for which the related project have not commenced are included in current liabilities as deferred income.

1.8 Provisions

Provisions claims are recognised when, the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

1.9 Trade accounts payable

Trade accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Botswana Pula, which is the Authority's functional and the presentation currency.

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 20156

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other (losses)/gains'.

1.11 Revenue recognition

Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Authority will comply with all attached conditions. Grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate. Grants relating to property, plant and equipment are included in funds as capital grants and are credited to the statement of comprehensive income on a straight line basis over the expected useful lives of the related assets. The related assets are shown at cost less accumulated depreciation.

Sale of services

The Authority sells training and resource centre services. These services are provided generally as fixed price.

Sale of services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Authority reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Operating lease rentals

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

1.12 Employee benefits

The Authority contributes to a defined contribution pension plan for its permanent citizen employees. The Authority contributions are charged to statement of comprehensive income in the year which they accrue and the Authority has no further liability.

A defined contribution plan is a pension plan under which the Authority pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions, if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

For employees who are on contracts, the Authority pays gratuity in accordance with the respective contracts of employment.

1.13 Current and deferred income tax

The Authority is exempt from tax in terms of the second schedule (chapter 52.01) of the Income Tax Act of 1995 as amended.

1.14 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made / income received under operating leases (net of any incentives received from the lessor) is charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

1.15 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets amortisation is provided on a straight line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	4 - 10 years

FINANCIAL RISK MANAGEMENT

for the year ended 31 March 2016

2.1 Financial risk factors

The Authority's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance. Risk management is carried out under policies approved by the Members of the Board.

(a) Market risk

(i) Cash flow and fair value interest rate risk

As the Authority has neither significant interest bearing assets nor variable interest bearing liabilities, the Authority's income and operating cash flows are substantially independent from changes in market interest rates.

(ii) Other price risk

The Authority is not exposed to other price risks such as equity price risk, commodity price risk, prepayment risk and residual value risk.

(iii) Foreign currency risk

The Authority has USD denominated bank deposit as disclosed in note 8.3. Management has conducted stress tests on the year-end exchange rate between the USD and Pula based on 5% fluctuation and concluded that there is no significant impact on the Authority's income.

(b) Credit risk

Financial assets of the Authority, which are subject to credit risk, consist mainly of cash and cash equivalents, deposits with banks and financial institutions and SMME customers. Cash deposits are held with high-credit-quality financial institutions. The credit quality of the customers is assessed by credit control, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings.

The utilisation of credit limits is regularly monitored. Sales to SMME customers are settled mainly in cash, cheques or bank transfers.

The credit quality of financial assets is disclosed in note 8.2.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying operations due to their short term nature, management of the Authority aims to maintain flexibility in funding by keeping committed credit lines available.

The Authority's financial liabilities as given in the table below consist of accounts payable and borrowings. The analysis of financial liabilities into relevant maturity groupings are based on the remaining period at the reporting to the contractual maturity date.

	Less than 1 year year P	More than 1 year P	Total P
At 31 March 2016			
Accounts Payable	49,871,192	-	49,871,192
Borrowings	852,334	-	852,334
At 31 March 2015			
Accounts Payable - restated	18,910,702	-	18,910,702
Borrowings	2,760,924	-	2,760,924

FINANCIAL RISK MANAGEMENT(continued)

for the year ended 31 March 2016

2.2 Capital risk management

The Authority is a Government organisation with the main object being to promote and facilitate entrepreneurship and SMME development. As such all operations of the Authority are funded by Government and therefore not subject to capital risk.

2.3 Fair value estimation of financial instruments

Financial instruments consist of trade receivables, bank and cash balances and other accounts payables resulting from normal business operations. The nominal value less impairment provision of trade receivables and accounts payable are assumed to approximate their fair values. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

for the year ended 31 March 2016

3.1 Critical accounting estimates and assumptions

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within financial year are discussed below.

Impairment loss on debtors

The Authority reviews its receivables to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Authority makes judgments as to whether there is any observable data indicating that there is measurable decrease in estimated cash flows from receivables. Management uses estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Residual value and useful lives of property, plant and equipment and intangible assets

The Authority determines the estimated useful lives and related depreciation charges for its property, plant and equipment and intangible assets. This estimate is based on projections about the continued existence of a market for its services and intangibles and the ability of the Authority to penetrate a sufficient portion of that market in order to operate effectively. The Authority increases the depreciation charge where the useful lives are less than previously estimated, or it will appropriately impair technically obsolete or non-strategic assets that have been abandoned or identified for sale.

Residual values are based on current estimates of the value of these assets at the end of their useful lives.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

4. Surplus for the year

The following items have been credited/charged in arriving at the net surplus for the year:

	2016 P	2015 P
(i) Annual government subvention	147,708,000	144,200,000
(ii) Amortisation of capital grants	6,565,746	11,008,532
(iii) Other operating income		
Profit on disposal of property, plant and equipment	678,981	117,750
Rental income	685,973	778,096
Sundry income	1,310,598	346,299
Telephone recoveries	572,900	405,192
Tender fees	25,050	30,200
Training and resource centre income	2,847,188	652,490
	6,120,690	2,330,027
(iv) Expenses by nature		
Auditors' remuneration - current year	(321,916)	(292,000)
Auditors' remuneration - prior year	(112,000)	-
Amortisation of intangible assets (Note 10)	(4,923,497)	-
Annual license fee	(4,793,271)	-
Board sitting allowance	(67,180)	(245,024)
Business travel, accommodation and allowances	(3,475,020)	(3,815,107)
Computer expenses	(5,415,818)	(4,587,717)
Consultancy fees	(2,510,945)	(3,532,968)
Depreciation of property, plant and equipment (Note 9)	(5,882,122)	(8,732,857)
Doubtful debts reversal / (charge)	47,017	(1,518,841)
Insurance	(2,431,383)	(2,324,925)
Legal fees	(310,119)	(235,393)
Operating lease rentals	(11,697,920)	(10,022,501)
Project expenses Leather Park	(1,997,793)	(3,312,239)
Project expenses Rapid Incubator	(593,354)	(1,302,357)
Remuneration paid to senior management	(7,964,351)	(5,298,066)
Repairs and maintenance	(3,326,566)	(2,231,623)
Security expenses	(2,619,784)	(2,199,485)
Seminars, retreat and conference costs	(987,550)	(2,174,930)
Staff costs (Note 5)	(89,936,735)	(81,511,829)
Staff training	(1,351,288)	(2,508,503)
Staff welfare	(1,594,396)	(1,787,803)
Stationery and printing	(1,686,003)	(1,981,809)
Telephone, mobile and fax	(5,196,747)	(5,572,979)
Training and mentoring costs	(3,453,432)	(2,423,108)
Other expenses	(8,953,438)	(9,381,111)
	(171,555,611)	(156,993,175)
5 Staff costs		
Salaries and wages	78,551,871	71,861,385
Pension costs	6,547,981	5,978,782
Staff gratuity	4,836,883	3,671,662
	89,936,735	81,511,829
Average number of employees	322	305

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

6 Finance income

	2016 P	2015 P
Foreign exchange gain	23,004	13,320
Interest received on bank deposits	1,479,889	1,793,507
Interest accrued on bank deposits	44,393	29,308
	<u>1,547,286</u>	<u>1,836,135</u>

7 Income tax

The Authority is exempted from income tax in terms of the second schedule (chapter 52.01) of the Income Tax Act of 1995 as amended.

8 Financial instruments

8.1 Financial instruments by category

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

31 March 2016

Assets as per the statement of financial position

Trade and other receivables excluding prepayments
Cash at bank

**Loans
receivables
P**

2,824,578
33,629,988
36,454,566

**Other financial
liabilities
P**

31 March 2016

Liabilities as per the statement of financial position

Trade and other accounts payable
Borrowings

49,871,192
852,335
50,723,527

**Loans and
receivables
P**

31 March 2015

Assets as per the statement of financial position

Trade and other receivables excluding prepayments
Cash at bank

2,452,721
32,914,470
35,367,191

**Other financial
liabilities
P**

31 March 2015

Liabilities as per the statement of financial position - Restated

Trade and other accounts payable
Borrowings

18,910,702
2,760,925
21,671,627

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

8.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

		2016 P	2015 P
Trade and other receivables excluding prepayments			
	Rating		
Trade receivables	Not rated	111,594	151,357
Deposits	Not rated	659,550	649,550
Other receivables	Not rated	2,053,434	1,651,814
		<u>2,824,578</u>	<u>2,452,721</u>
Cash at bank			
	Rating		
Standard Chartered Bank Botswana Limited	Not rated	1,487,292	737,074
First National Bank of Botswana Limited	Not rated	6,323,522	25,951,184
Barclays Bank of Botswana Limited	Not rated	499,563	468,715
African Alliance Limited	Not rated	1,576	1,505
BancABC of Botswana Limited	Not rated	25,318,035	5,755,992
		<u>33,629,988</u>	<u>32,914,470</u>

There are no credit ratings available for financial institutions in Botswana. The above banks are listed companies and have reported sound financial results and continued compliance with minimum capital adequacy requirement set by the regulator. None of the financial assets that are fully performing has been renegotiated during the year.

8.3 The Authority's exposure to foreign currency risk is analysed below

All amounts in Botswana Pula

As at 31 March 2016	Botswana Pula	US Dollar	Total
Trade and other receivables excluding prepayments	2,824,578	-	2,824,578
Cash and cash equivalents	33,629,865	123	33,629,988
	<u>36,454,443</u>	<u>123</u>	<u>36,454,566</u>
Borrowings	852,335	-	852,335
Trade and other accounts payable	49,871,192	-	49,871,192
	<u>50,723,527</u>	<u>-</u>	<u>50,723,527</u>
As at 31 March 2015			
Trade and other receivables excluding prepayments	2,452,721	-	2,452,721
Cash and cash equivalents	32,829,571	84,899	32,914,470
	<u>35,282,292</u>	<u>84,899</u>	<u>35,367,191</u>
Borrowings	2,760,925	-	2,760,925
Trade and other accounts payable	18,910,702	-	18,910,702
	<u>21,671,627</u>	<u>-</u>	<u>21,671,627</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

9 Property, plant and equipment

	Capital work in progress	Land and buildings	Leasehold improvements	Plant and equipment
	P	P	P	P
Year ended 31 March 2015				
Net book amount at beginning of year	-	69,979,813	1,057,837	497,527
Additions	71,792	57	-	88,394
Depreciation	-	(1,811,213)	(911,520)	(434,726)
Disposals	-	-	-	-
Depreciation on disposal	-	-	-	-
Net book amount at end of year	71,792	68,168,657	146,317	151,195
As at 31 March 2015				
Cost	71,792	77,324,796	15,172,711	3,481,438
Accumulated depreciation	-	(9,156,139)	(15,026,394)	(3,330,243)
Net book amount	71,792	68,168,657	146,317	151,195
Year ended 31 March 2016				
Net book amount at beginning of year	71,792	68,168,657	146,317	151,195
Additions	7,333,255	-	22,401	108,729
Depreciation	-	(1,936,215)	(126,579)	(123,174)
Disposals	-	-	-	-
Depreciation on disposal	-	-	-	-
Net book amount at end of year	7,405,047	66,232,442	42,139	136,750
As at 31 March 2016				
Cost	7,405,047	77,324,796	15,195,111	3,590,166
Accumulated depreciation	-	(11,092,354)	(15,152,972)	(3,453,416)
Net book amount	7,405,047	66,232,442	42,139	136,750

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

Furniture and fittings P	Office equipment P	Motor vehicles P	Computer equipment P	Library books P	Total P
2,926,852	631,062	1,484,150	3,906,789	36,234	80,520,264
367,979	420,595	3,184,536	2,795,296	20,842	6,949,491
(661,349)	(347,810)	(829,450)	(3,717,939)	(18,850)	(8,732,857)
-	-	(419,016)	-	-	(419,016)
-	-	419,016	-	-	419,016
2,633,482	703,847	3,839,236	2,984,146	38,226	78,736,898
6,877,734	6,250,033	23,517,472	21,421,513	346,924	154,464,413
(4,244,252)	(5,546,186)	(19,678,236)	(18,437,367)	(308,698)	(75,727,515)
2,633,482	703,847	3,839,236	2,984,146	38,226	78,736,898
2,633,482	703,847	3,839,236	2,984,146	38,226	78,736,898
99,989	76,172	861,357	1,494,059	7,483	10,003,445
(696,496)	(308,679)	(1,383,857)	(1,288,509)	(18,613)	(5,882,122)
-	-	(2,691,611)	-	-	(2,691,611)
-	-	2,691,611	-	-	2,691,611
2,036,975	471,340	3,316,736	3,189,696	27,096	82,858,221
6,992,933	6,326,205	21,889,442	22,915,571	354,407	161,993,678
(4,955,958)	(5,854,865)	(18,572,706)	(19,725,875)	(327,311)	(79,135,457)
2,036,975	471,340	3,316,736	3,189,696	27,096	82,858,221



NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

10 Intangible assets

	P
Year ended 31 March 2016	
Net book amount at beginning of year	-
Additions	19,693,989
Amortisation	<u>(4,923,497)</u>
Net book amount at end of year	<u>14,770,492</u>
As at 31 March 2016	
Cost	33,505,691
Accumulated depreciation	<u>(18,735,199)</u>
Net book amount	<u>14,770,492</u>
Year ended 31 March 2015	
Net book amount at beginning of year	-
Amortisation	-
Net book amount at end of year	<u>-</u>
As at 31 March 2015	
Cost	13,811,702
Accumulated depreciation	<u>(13,811,702)</u>
Net book amount	<u>-</u>

Intangible assets comprise of software and license costs relating to computerised accounting packages and systems.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

11 Receivables and prepayments

	2016 P	2015 P
Receivables	2,191,706	2,441,406
Provision for impairment	(2,080,112)	(2,290,049)
	111,594	151,357
Deposits and prepayments	4,113,873	5,211,675
Other receivables	2,053,434	1,651,814
	<u>6,278,901</u>	<u>7,014,846</u>

Receivables that are less than six months past due are not considered as impaired. As of 31 March 2016, receivables of Nil (2015: P 128,791) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The age analysis of receivables is as follows:

	2016 P	2015 P
Up to 30 days	90,489	10,897
Between 31 and 60 days	21,105	11,669
Over 60 days	-	128,791
	<u>111,594</u>	<u>151,357</u>

The carrying amounts of receivables and prepayments are denominated in Botswana Pula.

As of 31 March 2016, trade receivables of P 2,080,112 (2015: P 2,290,049) were impaired and provided for in full as the recovery of these debtors was not expected. The aging of these receivables are as follows:

	2016 P	2015 P
Over 120 days	<u>2,080,112</u>	<u>2,290,049</u>

Movement of the provision for impairment of receivables are as follows:

	2016 P	2015 P
Balance at the end of year	2,290,049	1,424,481
Write off during the year	(162,920)	(653,273)
Current year provision (reversal) / charge	(47,017)	1,518,841
Balance at the end of year	<u>2,080,112</u>	<u>2,290,049</u>



NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

11 Receivables and prepayments (continued)

The creation and release of provision for impaired receivables have been included in administrative expenses in the statement of comprehensive income.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collateral as security. The Members of the Board consider the fair values of trade and other account receivables to approximate their carrying values due to their short term nature.

12 Cash and cash equivalents

	2016 P	2015 P
Short term bank deposits - call account balances	32,974,168	32,160,319
Current account balances	655,820	754,151
Cash in hand	15,682	14,807
	<u>33,645,670</u>	<u>32,929,277</u>

For the purpose of the statement of cash flows the year end cash and cash equivalents comprises of the following:

	2016 P	2015 P
Cash in hand	15,682	14,807
Bank deposits	33,629,988	32,914,470
Bank Overdraft (Note 15)	(852,335)	(2,760,925)
	<u>32,793,335</u>	<u>30,168,352</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

13 Capital grants

	2016 P	2015 P
Balance at beginning of year	94,697,775	81,706,250
Additions	5,999,998	24,000,057
Amortisation for the year	(6,565,746)	(11,008,532)
Balance at end of year	<u>94,132,027</u>	<u>94,697,775</u>

Capital grants represent Government grants given to the Authority to finance the purchase of property, plant and equipment. Capital grants are transferred to the income statement in a manner that represents the economic benefits generated through the usage of the related assets. As at the reporting date, there were no unfulfilled conditions attached to the capital grants.

14 Trade and other accounts payable

	2016 P	2015 P
Trade accounts payable	30,132,467	4,181,413
Accruals	2,754,628	364,206
Staff provisions (Note 14.1)	16,984,097	14,365,083
	<u>49,871,192</u>	<u>18,910,702</u>

The Members of the Board consider the carrying amount of trade and other accounts payable to approximate their carrying values due to their short term nature.

14.1 Staff provisions

	Gratuity P	Leave pay P	Total P
Balance at beginning of year	6,239,949	8,125,133	14,365,082
Provision for the year	4,817,640	2,300,431	7,118,071
Payments made during the year	(3,581,174)	(917,882)	(4,499,056)
Balance at end of year	<u>7,476,415</u>	<u>9,507,682</u>	<u>16,984,097</u>

Gratuity

Staff members who are on contracts receive terminal gratuities in accordance with their contracts of employment. An accrual is made for the estimated liability towards such employees up to the reporting date.

Leave pay

Paid absences are accounted for on an accrual basis over the period in which employees have provided services.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

15 Borrowings

	2016 P	2015 P
Current		
Bank overdraft	852,335	2,760,925

The Authority does not have a bank overdraft facility. The above balance represents a book overdrawn position.

16 Events after the reporting date

The Authority's information technology supplier issued true up billings on the Authority's technology and application systems on 20 October 2016 of P24,487,260. This liability is deemed to be an adjusting event and accordingly, the resultant intangible asset and liability have been recognised in the financial statements. There were no other events that occurred after the reporting date requiring adjusting and for disclosure in the financial statements.

17 Commitments and contingencies

Operating lease commitments - where the authority is the lessee

a) The future aggregate minimum lease payments under non - cancellable operating leases are as follows:

	2016 P	2015 P
Not later than 1 Year	6,917,605	7,950,074
Later than 1 year and no later than 5 years	17,204,680	1,476,735
	<u>24,122,285</u>	<u>9,426,809</u>

b) Capital commitments – Projects

There has been no capital expenditure contracted for at the reporting date but not yet incurred for the financial years 31 March 2016 and 31 March 2015.

c) Contingent liabilities

Court cases

There is litigation against the Authority through which P 2.2 million is sought by the claimants. The Authority's Members of the Board consider the success of the litigation against the Authority as unlikely. As per the external legal advisor, the maximum possible exposure is P 0.6 million and accordingly a disclosure of such has been made in the annual financial statements. The case should be resolved within the next few months.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2016

18 Related party transactions

	2016 P	2015 P
Transactions with senior management		
Remuneration paid to senior management	7,964,351	5,298,066
Transactions with the Board		
Sitting allowances paid to Board Members	67,180	245,024

19 Going Concern

During the year, the Authority incurred a deficit of P9,613,889 (2015: surplus of P2,381,519) and its liabilities exceed its assets by P7,302,270 (2015: net assets P2,311,619).

These conditions indicate a fundamental uncertainty that cast doubt about the going concern status of the Authority. The going concern basis has been adopted in the preparation of these financial statements as the shareholder - Government of Botswana has pledged the necessary support to the Authority until it returns to profitability and its assets exceed its liabilities. To demonstrate the support, since year end Government has;

- i) made a recurrent grant contribution of P70,840,575; and
- ii) announced subvention commitment for the next 3 years at P141 681 150 per year.

DETAILED INCOME STATEMENT

for the year ended 31 March 2016

ANNEXTURE 1

	2016 P	2015 P
Revenue grants	147,708,000	144,200,000
Amortisation of capital grants	6,565,746	11,008,532
Other operating income	6,120,690	2,330,027
Recurrent expenditure		
Advertisement	(719,090)	(500,138)
Amortisation of intangible assets	(4,923,497)	-
Annual License fee	(4,793,271)	-
Auditors' remuneration - current year	(321,916)	(292,000)
Auditors' remuneration - prior year	(112,000)	-
Bank charges	(158,194)	(157,055)
Board sitting allowance	(67,180)	(245,024)
Board meeting expenses	(62,947)	(390,473)
Business travel, accommodation and allowances	(3,475,020)	(3,815,107)
Computer expenses	(5,415,818)	(4,587,717)
Consultancy fees	(2,510,945)	(3,532,968)
Courier and postage	(247,094)	(258,584)
Depreciation of property, plant and equipment	(5,882,122)	(8,732,857)
Doubtful debts reversal / (charge)	47,017	(1,518,841)
Donations	(103,568)	(368,646)
Glen Valley consumables	(1,877,578)	(1,148,164)
Insurance	(2,431,383)	(2,324,925)
Legal fees	(310,119)	(235,393)
Motor vehicle expenses	(1,452,847)	(1,862,259)
Office expenses	(1,275,234)	(1,398,784)
Operating lease rentals	(11,697,920)	(10,022,501)
Project expenses Leather Park	(1,997,793)	(3,312,239)
Project expenses Rapid Incubator	(593,354)	(1,302,357)
Promotion and publicity	(1,885,791)	(1,767,237)
Remuneration paid to senior management	(7,964,351)	(5,298,066)
Repairs and maintenance	(3,326,566)	(2,231,623)
Research costs	(228,426)	(550,521)
Security expenses	(2,619,784)	(2,199,485)
Seminars, retreat and conference costs	(987,550)	(2,174,930)
SMME conference and fair - current year	(412,219)	(252,831)
Staff costs	(89,936,735)	(81,511,829)
Staff training and recruitment	(1,351,288)	(2,508,503)
Staff welfare	(1,594,396)	(1,787,803)
Stakeholder management	(351,531)	(465,580)
Stationery and printing	(1,686,003)	(1,981,809)
Subscriptions	(178,919)	(260,839)
Telephone, mobile and fax	(5,196,747)	(5,572,979)
Training and mentoring costs	(3,453,432)	(2,423,108)
	(171,555,611)	(156,993,175)
Operating deficit for the year	(11,161,175)	545,384

"This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 46 ".

NOTES TO THE DETAILED INCOME STATEMENTS

for the year ended 31 March 2016

ANNEXTURE II

1 Other income

	2016 P	2015 P
Profit on disposal of property, plant and equipment	678,981	117,750
Rental income	685,973	778,096
Sundry income	1,310,598	346,299
Telephone recoveries	572,900	405,192
Tender fees	25,050	30,200
Training and resource centre income	2,847,188	652,490
	<u>6,120,690</u>	<u>2,330,027</u>

“ This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 46 “.





LOCAL ENTERPRISE AUTHORITY

Building Botswana

Empowering Entrepreneurs:



CLIENT TESTIMONIALS | 2015-16

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LIFESTYLE ARCHITECTS

“LEA has equipped me with skill and knowledge that will sustain me and our company for over 100 years.”

BACKGROUND

Lifestyle Architects is a citizen owned company under the directorship of Mr and Mrs Kgamane. The company was established and started operations in August 2010 in Palapye. The business has a staff complement of six, including the two Directors, and boasts of its qualified Architects with a vast knowledge of the industry they are operating in.

Lifestyle Architects provides professional architectural, engineering and draughting services including Conceptual Design, Detail Design Documentation, Project Management and Supervision. The business also assists clients to sought approval of the proposed designs from the relevant Authorities such as Councils.

Relationship with LEA

Lifestyle Architects registered with LEA in 2010 and has since received the following interventions: Business plan development, Human resources policy development, Product and process improvement, Quality Management System (ISO 9001:2008 training, implementation, documentation and lead audit). In addition, the business received training on Sales and Marketing, Trade Show Readiness and Record Keeping. The promoter attended several workshops on Quality



Awareness, as well as others organized by other institutions such as Botswana Unified Revenue Services (BURS), Companies and Intellectual Property Authority (CIPA) and the Economic Diversification Drive (EDD) Unit.

LEA also facilitated for the client to participate at various platforms that accorded exposure and business linkages to markets. These include setting up a stall at the 2016 SMME Pitso, the 2013 Women exposition and the 2015 Global Expo. Lifestyle Architects was also assisted with branding and the development of promotional material, to position the business in the market place. These tailor-made interventions coupled with coaching and monitoring enabled the business to grow and access markets such as Morupule Colliery Mine among others.



ISABEL GUEST SUITES AND TOURS

“Taking a chance with LEA helped our business to take a chance, to do it now and not look back. LEA is the support you need!”

BACKGROUND

Isabel Guest Suites and Tours is a citizen owned business that started operations in November 2009. Owned by Ms. Sephiwe Phillimon, the business currently employs 5 full time employees.

The guest house offers accommodation and outside catering services for conferences, weddings, parties and corporate functions in and around Palapye. The facility boasts of country style thatched rooms that are air conditioned, en-suite bathrooms, television sets with satellite channels and WI-FI connection. Isabel offers lavish accommodation in nine (9) rooms comprising of four executive and five standard rooms, a kitchen and laundry services.

Relationship with LEA

Isabel Guest Suites and Tours registered with LEA in 2010, and has since received a series of interventions including training on Sales and Marketing, Trade Show Readiness, Hospitality and Records Keeping. The Authority also offered coaching on Customer Service, Pre-grading assessments, Product and Process Improvement, all necessary for a business in the hospitality industry. Isabel Guest Suites and Tours was also assisted to brand, develop a website and promotional material that the company uses to market its services. In furtherance of the business' presence in the market, LEA facilitated for the client to attend various trade exhibitions over the years, including the Indaba Travel and Tourism fair in 2015. All these interventions have assisted the facility to obtain a 2 star grading from the Botswana Tourism Organization (BTO).



DESTINY CAR RENTALS

“ Thank you LEA for inspiring the Destiny team to where it is today, your commitment to excellence continues to inspire us. ”

BACKGROUND

Mr. and Mrs. Sebina, owners of Destiny Car Rentals, began operations in May 2008. The business offers car rental services, and have a wide range of vehicles to cater for varied customer needs. Destiny Car Rentals currently employs eight people. The business now prides itself with branches at various places, two offices in Gaborone, one in Maun as well as two in Francistown.

Relationship with LEA

Destiny Car Rentals registered with LEA in 2007. Interventions that LEA has offered since then include various trainings on business plan development, sales and marketing as well as finance for non-finance Managers amongst others. The company also received marketing interventions such as showcasing their services at several trade exhibitions and fairs, coaching as well as mentoring. Further interventions undertaken by the business include among others, training on lead auditor, process certification, quality and productivity awareness, taxation workshop, as well as brand registration- trade mark (Intellectual Property) registration. Destiny Car Rentals renders services to private companies, Parastatals, Government Departments as well as individual members of the public.



A close-up photograph of a person's hands operating a sewing machine. The hands are dark-skinned and are positioned around the needle and foot of the machine. The machine is stitching a piece of blue fabric. The background is slightly blurred, focusing attention on the hands and the sewing process.

LEA CLIENTS **PROFILES**

ADONAY INVESTMENTS

“LEA has assisted us to develop a website and promotional material, which are pertinent in marketing our company products and services.”

BACKGROUND

Adonay Investments (Pty) Ltd, trading as Soul Beat, is a citizen owned company under the directorship of Mr. and Mrs. Mbulawa. Soul Beat has a staff complement of six, and specializes in custom made furniture, upholstery and auto trimming services. The business has been in operation since 2012 and it is located in Broadhurst Industrial, Gaborone.

Relationship with LEA

Soul Beat registered with LEA in 2012. Interventions that have been offered to the client include; Trade Show Readiness training, Technology Audit, Product and Process Improvement among others. Through LEA's facilitation, the client has attended trade exhibitions such as the Consumer Fair, the 2012 SMME Conference and Fair, 2013 SAITEX, and the 2014 Property Expo. Furthermore, LEA has assisted the client to develop a website and promotional material, which are pertinent in marketing the company products and services. Soul Beat's main customers are the general public who procure for their households, Botswana Defence Force, Schools and Air Botswana.



SHAKINAH INVESTMENTS

“LEA was very instrumental in helping us remain competitive in our line of business to attain BOBS ISO 9001:2008 certification in 2015.”

BACKGROUND

Shakinah Investments (Pty) Ltd is a 100% citizen owned company directed by Mr and Mrs Ntopo. Based in Lobatse, the business manufactures wooden pallets that are used in a wide range of industries as platforms on which goods are stacked, stored and moved. The pallets are tailor made according to the customer's specification. Shakinah Investments started operating in 2008, and currently has 12 employees.



Relationship with LEA

Shakinah Investments registered with LEA in 2007, and have since received various interventions which are aimed at positioning the business in the market place. LEA has offered the client training on Quality and Productivity Awareness, business planning, ISO 9001: 2008 QMS - Process Certification, Trade Show Readiness and Entrepreneurship Development Training. The client has also benefited from LEA through capacity building workshops such as Entrepreneurship Awareness Workshop (EAW) and Quality and Productivity in the work place.

The company has successfully certified with BOBS on the ISO 9001: 2008 standard, which shall build consumer/buyer confidence on the quality of the products produced and further improve the company's competitive edge. Shakinah Investments continues to receive coaching and monitoring services from LEA. The business customer base include Botswana Meat Commission (BMC), CAN Manufacturers, Kgalagadi Breweries Limited, Bolux Milling Company, Engen Marketing Botswana and Lobatse Clay Works.



SOUND \$ INVESTMENT

“LEA e nthusitse go mpatlela bareki le go re fa dikgakololo mo go tsa madi.”

BACKGROUND

Sound \$ Investment (Pty) Ltd is a citizen owned enterprise that manufactures steel products such as window and door frames, gates, poles, stays and playground equipment. It is owned by Mr Heckson Ndwakule, and started operating in Mochudi in 2014. The business currently employs five people.

Relationship with LEA

Sounds \$ Investment registered with LEA in 2015. The business promoter has since attended training on Occupational Health and Safety and Trade Show readiness. He was also taken through awareness workshops on Branding, Packaging and Labelling, as well as Intellectual Property Rights and Patenting. He was also assisted to acquire a loan for his working capital needs, and benefited from coaching and monitoring services offered. Sounds \$ Investment (Pty) Ltd currently supplies Hardware stores such as Haskins, Builder's Mart, Sana, Mochudi Builder's World and the general public.



THE CONCEPT KING

“Success is 100% connected to action, partner with LEA and watch your business succeed.”

BACKGROUND

The Concept King (Pty) Ltd is a wholly citizen owned company promoted by Mr Onkemetse Dominic Ohimile. With a staff complement of 11, the business offers Information Technology solutions and event management. It specializes in integrated communication solutions and advertising services. Established in 2008 in Gaborone the Concept King assists establishments to revitalize their brands and build reputation.

Relationship with LEA

Since registering with LEA in 2008, The Concept King has been offered training on Financial Management, Tradeshow readiness and Entrepreneurship Development Training. The client also receives Business coaching and monitoring services from LEA, all of which have enhanced business growth and enabled the client to open two more offices, one at Palapye and the other in Johannesburg. The company offers creative resource pool such as graphic design, signage and illustrative communication services to Debswana, Botswana Power Corporation, Ministry of Health and Majwe Mining.



EARTH VITAMINS

“ We do not just sell Biltong we sell the Experience, thanks to LEA for the interventions they provide the company with. ”

BACKGROUND

Established in 2013, Earth Vitamins is a meat processing company with special focus on processing tasty boerwors, patties, biltong and meatballs. The business is directed by Mr and Mrs Thabo Molefhe, and operates from the Pilane Multi-Purpose Incubator. The project currently employs nine full-time employees.



Relationship with LEA

Earth vitamins registered with LEA in 2015 and has benefited from market access assistance through linkages with markets such as Game stores, Sefalana group, Phakalane Golf Estate, Shell group, Engen group, Sgotti restaurant, Grand Palm and others. He has also participated at various trade exhibitions such as Global Expo 2015 and the National Agric Show, where he interacted and networked with potential buyers. In addition to the incubation programme services such as subsidized operational space, business and technology advice, Earth Vitamins has also received interventions on branding, packaging and labelling, intellectual property awareness, export awareness and facilitation of access to funding amongst others.



BIG SAM HUBBER

“ I am really proud of the support and interventions rendered to Big Sam Hubber by LEA. ”

BACKGROUND

Big Sam Hubber is owned by Mr. Samuel Tshékonyane, and has operated in Kasane since 2014. Operating in the mobile safari industry, the company offers mobile camping, local and cross border transfers, game drives, boat cruise, fishing excursions and river crossing. Big Sam Hubber has a staff complement of five.

Relationship with LEA

Upon registering with LEA in 2014, Big Sam Hubber was assisted to acquire an open space along the river bank to construct an office. The company has benefited from advanced interventions such as website development, branding, packaging and labelling. The company received training on sales and marketing, Tradeshow readiness, Entrepreneurship Development and was also mentored on QuickBooks. LEA facilitated for the client to attend the Indaba Travel and Tourism Fair in 2015. All these interventions enhanced business growth and led to Big Sam Hubber acquiring an additional mobile safari vehicle, three combies, camping equipment, and three boats. Big Sam Hubber's clients include Mowana Game Lodge, Chobezi Tour Operators (Cross Border Operators), Camp Kazuma and Kalahari Tours.



KAIDONGO BREEDERS

“LEA has helped me to get a startup loan for my business. It has helped me to achieve a lot. Ke se ke leng sone ka ke thusitswe ke LEA. ”

BACKGROUND

Kaidongo Breeders (Pty) Ltd is situated at Okarue cattle post in the Charleshill Sub-District, 10 kilometres South of Trans-Kalahari. The project is a sole proprietor business managed by Mr France Kanguaiko, and specializes in the production of stud breed of boer goats and white doper sheep. The business employs four people including the owner.



Relationship with LEA

Mr. Kanguaiko has been a client of LEA since 2007. Since then, the business has benefited from various interventions including training on Business planning and Entrepreneurship Development. The client has also participated at exhibitions such as Ghanzi Agricultural Show and market days, and continues to receive coaching and monitoring services from LEA.

In 2012, the Gantsi Land Board allocated the business a 1km x 1km Small Agricultural Holding through the intervention of LEA, and was assisted to get funding for the development of the newly allocated farm and buying of additional stock which included 150 does, 6 bucks, 100 Ewes and 4 Rams to increase the breeding stock. The enterprise has also been assisted to procure promotional material that are used for marketing purposes. Kaidongo Breeders main customers are individual members of the public at auction sales and exhibitions.



NKANGA HOTEL

“LEA has done a good job here, it’s presence and work are acknowledged, and they helped us reach our targets and goals, keep up the good work!”

BACKGROUND

Nkanga Hotel was founded in 2010 by Mr and Mrs Nkonkwena and their two children. The hotel is based in Kazungula and provides accommodation, game drives, boat cruise, camping and catering services. It has a staff complement of 12 employees.

Relationship with LEA

Nkanga Hotel registered with LEA in 2014. Since becoming a LEA client, the hotel benefited from a number of interventions that include Entrepreneurship Development Training, Customer Care, Company policy development, Branding, Packaging and Labelling, website development and QuickBooks Accounting Package mentorship. The client also receives mentoring and coaching services which are both business and technically related. The hotel through LEA’s advice is in the process of expanding from the current nine rooms to twenty four rooms, which shall incorporate a swimming pool, a restaurant, conference facilities and offices. The main market for Nkanga Hotel are Government institutions and individual members of the public.



TABA'S FRUITS AND VEG

“LEA has opened my eyes to view my business from the entrepreneurial perspective.”

BACKGROUND

Taba's Fruits and Veg is a horticulture project established in 2007, and located in Ditladi, East of Tonota village. It is owned by Mr Milikani Taba, and currently employs 11 people. The business is located on a 4.5ha open field where various crops including cabbage, tomatoes, butternuts, rape and beetroot are produced.

Relationship with LEA

The client registered with LEA in 2007, and was assisted to develop a business plan that he used to access funding. As a LEA client, the promoter attended various training on Sales and Marketing, Branding, Packaging and Labelling, Budgeting, Costing and Pricing, as well as Finance for Non-Finance Managers. LEA also facilitated the client's uptake of Botswana Bureau of Standards trainings such as Implementation and Documentation of a Quality Management System according to BOS ISO 9001:2008 standard. Mr. Taba was also taken for a benchmarking trip at Glen Valley Incubator to appreciate modern farming technologies that enhance horticulture production. Taba's Fruits and Veg supplies fresh produce to distributors such as Mr. Veg, as well as retail stores including Spar, Shoprite and hawkers in Francistown.



SLEEK FOODS

“LEA is indeed every entrepreneur’s dream. It has provided the perfect platform to realize my business aspirations.”

BACKGROUND

Sleek Foods (Pty) Ltd was established in 2010 by Mrs. Nkata Seleka, who is the sole Shareholder and Director of the company. Currently operating from the LEA Pilane Multi-Purpose Incubator, the company produces a locally self-developed condiment, an assortment of relish, in different flavours. The product is made of locally produced vegetables. Sleek Foods currently employs three full-time and 12 part-time employees.



Relationship with LEA

Sleek Foods registered with LEA in 2013 and has since benefited from numerous interventions availed by the Authority. These include training on Taxation and facilitation of access to finance. The business continues to benefit from the LEA Incubation programme services such as; provision of subsidized operational space, subsidized utilities (water and electricity), business and technology interventions among others. The company has through the LEA facilitation, participated and exhibited at several market days, the 2015 Consumer fair and the 2015 Global Expo.



Furthermore, the client attended the 2015 Southern African International Trade Exhibition (SAITEX) in South Africa and the 2015 FACIM Trade Fair in Maputo, Mozambique. These regional trade fairs have given Sleek Foods the opportunity to showcase products to the international market, which was a resounding success. Sleek Foods currently supplies major Spar supermarkets countrywide, as well as and Choppies Hyper Stores.



LEA Corporate Information

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Kanye
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KASANE

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MASUNGA

Along main road to Masunga
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Next to CTO Filling Station
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MAUN

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Maun
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MOCHUDI

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MOLEPOLOLE

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Molepolole
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RAMOTSWA

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Ramotswa
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Serowe
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TSABONG

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INCUBATORS

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GABORONE LEATHER INDUSTRIES INCUBATOR

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GLEN VALLEY HORTICULTURE INCUBATOR

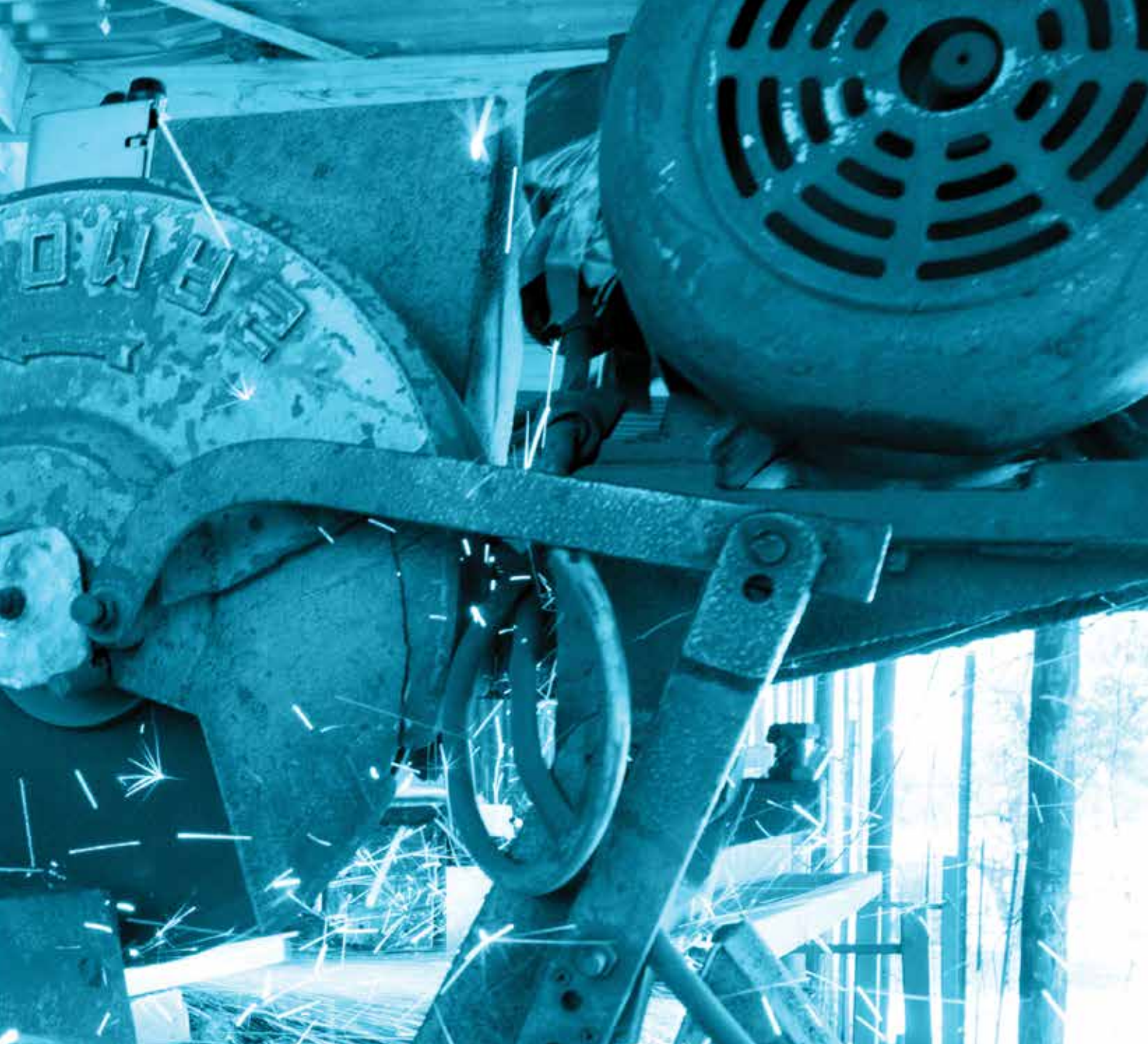
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PILANE MULTI PURPOSE INCUBATOR

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