



LOCAL ENTERPRISE AUTHORITY



UNLOCKING  
**POTENTIAL**  
**ENABLING GROWTH.**

ANNUAL REPORT 2016/17









LOCAL ENTERPRISE AUTHORITY



# UNLOCKING POTENTIAL ENABLING GROWTH.

BOTSWANA'S HOPE FOR GROWTH, DEVELOPMENT AND PROSPERITY LIES NOT ONLY IN DIAMONDS BUT ALSO IN ITS PEOPLE.

OUR MANDATE IS TO LEAVE NO STONE UNTURNED  
IN OUR PURSUIT TO EQUIP BOTSWANA WITH  
ENTREPRENEURIAL SKILLS, SO THAT THEY CAN  
BE DRIVERS OF GROWTH AND DEVELOPMENT IN  
BOTSWANA.



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# LEA

LOCAL ENTERPRISE AUTHORITY

## Glossary of Terms

BAC	Botswana Accountancy College
BCM	Botswana Chamber of Mines
BCP	Business Continuity Plan
BDF	Botswana Defense Force
BHC	Botswana Housing Corporation
BIC	Botswana Insurance Company
BIH	Botswana Innovation Hub
BITC	Botswana Investment and Trade Centre
BIUST	Botswana International University of Science and Technology
BOMAID	Botswana Medical Aid Society
BOPEU	Botswana Public Employees Union
BTC	Board Tender Committee
BPOMAS	Botswana Public Officers Medical Aid Scheme
BTC	Botswana Telecommunications Corporation
BUAN	Botswana University of Agriculture and Natural Resources
BURS	Botswana Unified Revenue Services
CDD	Capacity Development Division
CEDA	Citizen Entrepreneurial Development Agency
CETP	Common Effluent Treatment Plant
CIPA	Companies and Intellectual Property Authority
CKGR	Central Kalahari Game Reserve
CLA	Collective Labour Agreement
COSBOTS	Copyright Society of Botswana
CSR	Corporate Social Responsibility
DEA	Department of Environmental Affairs
DNI	Department of National Internship
DPSM	Directorate of Public Service Management
EAW	Entrepreneurship Awareness Workshop
EIA	Environmental Impact Assessment
ESP	Economic Stimulus Package
EDD	Economic Diversification Drive
EDT	Entrepreneurship Development Training
ERM	Enterprise-wide Risk Management
FAC	Finance and Audit Committee
FIBI	Francistown Industrial Business Incubator
FNB	First National Bank
GEM	Global Entrepreneurship Monitor
HR	Human Resources
HRC	Human Resource Committee
ICAS	Independent Counselling Advisory Services
ISO	International Organization for Standardization
IT	Information Technology
JNCC	Joint Negotiations and Consultative Committee
LEA	Local Enterprise Authority
ME	Micro Enterprise
MITI	Ministry of Investment, Trade and Industry

MoU	Memorandum of Understanding
MYESCD	Ministry of Youth Empowerment, Sport and Culture Development
NBN	National Branch Network
NDB	National Development Bank
NDP	National Development Plan
NEP	National Entrepreneurship Policy
NEF	National Environmental Fund
PEEPA	Public Enterprises Evaluation and Privatization Agency
PMS	Performance Management System
PPADB	Public Procurement and Asset Disposal Board
QMS	Quality Management System
SAITEX	Southern African International Trade Exhibition
SBA	Small Business Act
S&CD	Social and Community Development
SHE	Safety, Health and Environment
SME	Small and Medium Enterprises
SMME	Small, Medium and Micro Enterprises
SPV	Special Purpose Vehicle
TAC	Technical Advisory Committee
TEA	Total Early Stage Entrepreneurship Authority
UB	University of Botswana
YDF	Youth Development Fund
ZITF	Zimbabwe International Trade Fair

### Definition of terms

**Business incubation** - A programme designed to support the successful development of start-up enterprises by 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.

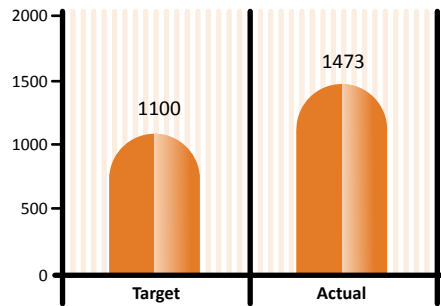
**Monitoring** - An undertaking that is carried out following execution of a gap closing intervention, to examine if the gap has been adequately closed and ensure that the solution is long-lasting.

**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.

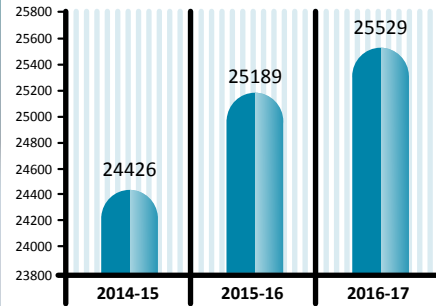


# PERFORMANCE HIGHLIGHTS 2016 -17

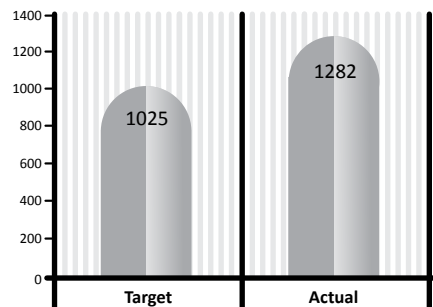
### Number of Business Plans Submitted



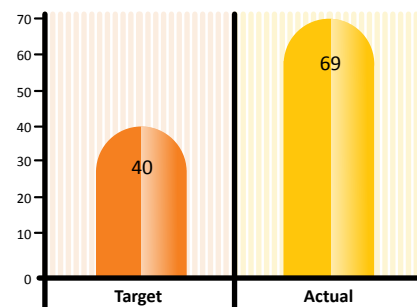
### No of EAW Participants



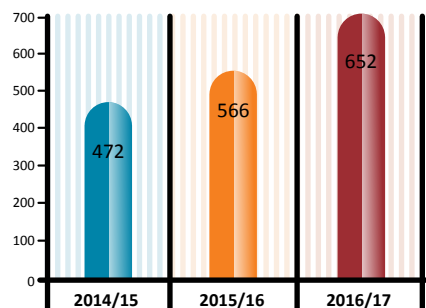
### Number of entrepreneurs trained



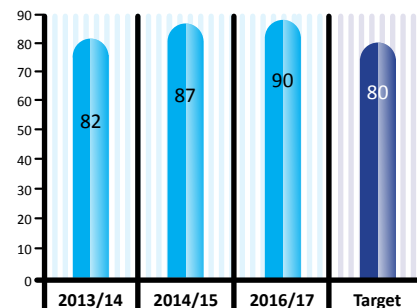
### Number of enterprises coached and mentored

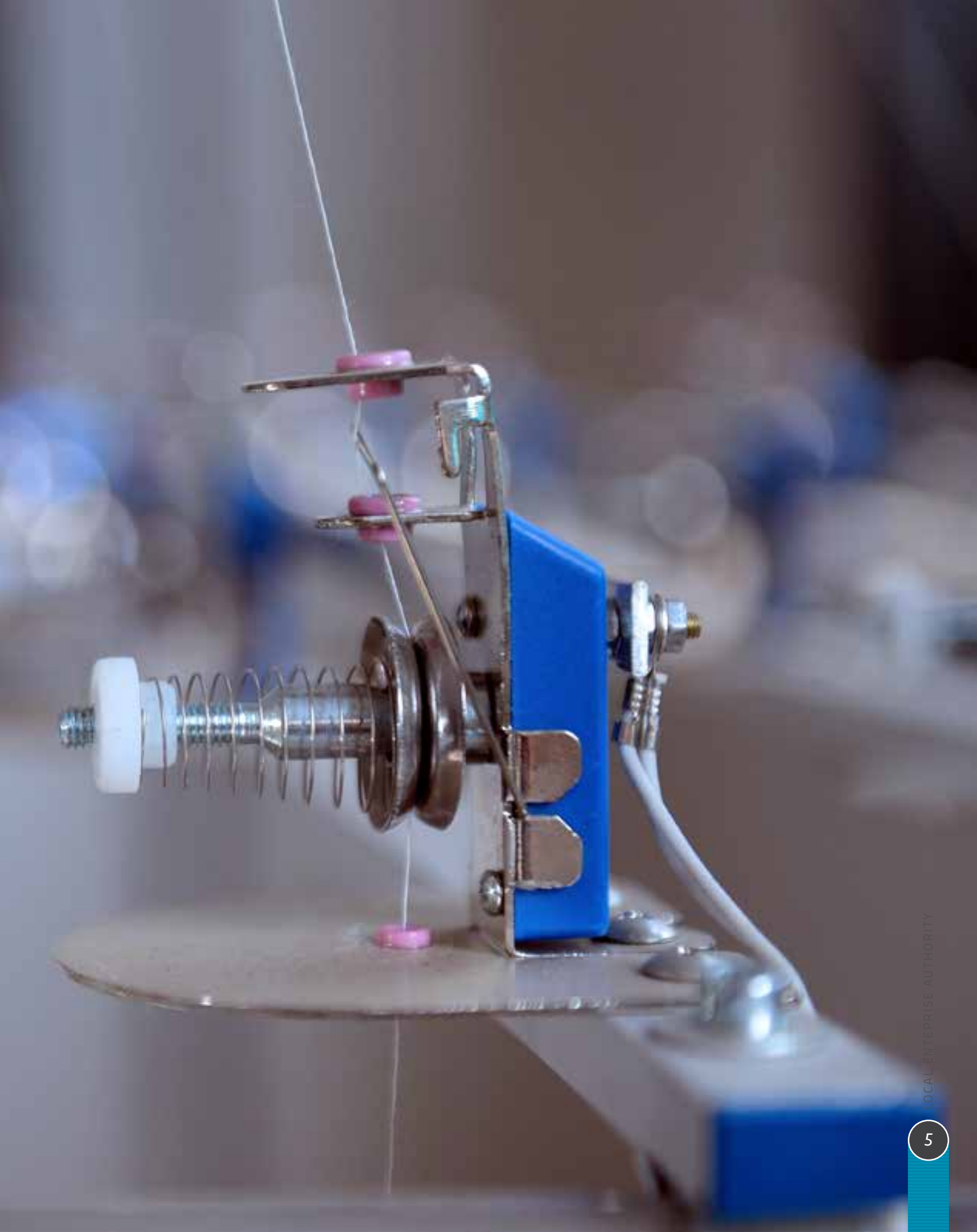


### Number of outreach programmes



### Customer Satisfaction Index





## LEA Corporate Profile



The Local Enterprise Authority (LEA) was established by the Small Business Act (SBA) No 16 of 2008 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 Small, Medium and Micro Enterprises (SMME) development through:

- a. Providing assistance to SMMEs in the preparation of business plans, feasibility studies and market surveys;
- b. Improving the business skills and competences of SMME entrepreneurs through the provision of training and advisory services in entrepreneurship development, technology, marketing and through appropriate mentoring services;
- c. Creating growth opportunities for SMMEs through securing greater access to Government procurement contract for goods and services, in consultation with Government Ministries, local authorities and Parastatal organisations;
- d. Identifying SMME firms with export potential and assist them to enhance their productivity and competitiveness for export markets;
- e. Promoting business linkages between SMMEs and big industries, including the purchasing of locally produced goods and services by larger firms;
- f. Facilitating access to information on support services and sourcing of raw materials by SMMEs through publicity, outreach and information technology;
- g. Working with relevant institutions to develop and implement appropriate product and service standards, and to enhance

both quality awareness and improvement of SMME products and services through training and advisory services that lead to certification of these products and services;

- h. Monitoring and evaluating the impact of functions set out under paragraphs (a) to (h) and provide mentoring services in order to achieve long term sustainability of SMMEs;
- i. Working with SMME entrepreneurs and technology institutions to facilitate innovation, acquisition, adaptation and diffusion of appropriate technology for effective use by SMMEs;
- j. Facilitating access to funding for enterprise development as well as expanding existing enterprises through regular consultation with financial institutions;
- k. Making recommendations to the Minister on ways to simplify regulations which impose a burden on SMMEs in terms of compliance, time, effort and money;
- l. Ensuring that SMMEs trainers, training institutions, training programmes and materials are accredited in accordance with the Botswana Qualifications Authority (BQA) standards or the standards of such other authority as the Minister may approve; and
- m. Facilitating and coordinating the provision of infrastructure and facilities such as factory shells and working space, including serviced land and utility services for SMMEs, in conjunction with Local Authorities, Parastatal organisations, the Private sector and the Government.

The Authority's key deliverables as per the SBA are summarized 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 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.

LEA prides itself on having an extensive country-wide footprint of 13 branches and five business Incubators. LEA branches are located at Francistown, Gaborone, Ghanzi, Kanye, Kasane, Masunga, Maun, Mochudi, Molepolole, Ramotswa, Selibe-Phikwe, Serowe and Tsabong. The business Incubators provide subsidized business space, shared facilities and technology advancement to accelerate growth of the enterprises incubated.

The LEA Incubators are;

- Francistown Industrial Business Incubator
- Gaborone Leather Industries Incubator
- Glen Valley Horticulture Incubator in Gaborone
- Pilane Multi-purpose Business Incubator near Mochudi
- Kutla Incubation Centre

## Mission & Vision Statements

TO BE THE CENTRE  
OF **EXCELLENCE** FOR  
**ENTREPRENEURSHIP**  
AND **SUSTAINABLE**  
**SMME DEVELOPMENT**  
IN BOTSWANA.

# VISION

## 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.”**



# VALUES



## **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 favourable work environment.*



## **Botho**

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

## Board Members



**MR. BATLHATSWI TSAYANG**  
CHAIRMAN

Mr. Batlhatswi Shongwe Tsayang is the Board Chairman of the Local Enterprise Authority and has sat on the LEA Board since 2011. Mr. Tsayang's career spans over 30 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, the Director at the Department of National Transportation and Communications, the Assistant General Manager of Botswana Railways, the Human Resources Manager at Air Botswana and a Director at Jacques Malan Consultants & Actuaries Botswana. He is well grounded in the area of human resource management, corporate Governance, general Industrial Relations and commercial mediation and counseling, 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), the 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 Royal Institute of Chartered Surveyors (RICS) Commercial Mediator.



**MR. OABILE REGOENG**  
VICE CHAIRMAN

Mr Oabile Regoeng has vast 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 the Citizen Entrepreneurial Development Agency (CEDA). He has since joined the private sector as a property developer. Mr Regoeng currently serves as the Board Chairperson of Kweneng District Ventures (Pty) Ltd, an investment arm of the Kweneng District Council.





**DR. HANISO MOTLHABANE**  
*MEMBER*

Dr. Motlhabane is the Director for Outreach and Engagement at the Botswana International University of Science and Technology (BIUST). One of the key programmes that he is responsible for is the BIUST's Pre-University Academic Programme, which is an initiative directed at strengthening pipeline of Mathematics and Science students from pre-tertiary levels of education to the BIUST. He has been the Interim Associate Provost for Continuing Education and Outreach. Dr Motlhabane has also acted as Vice Provost - Student Affairs and as Deputy Vice Chancellor for Finance and Administration. He serves in several key portfolios of the university life and programme of development, and has served in several national tertiary education policy structures. Dr Motlhabane has served in many other forums that have shaped the current tertiary education and the national science and technology landscape.



**MS. NELLY W. SENEGELO**  
*MEMBER*

Ms Nelly Wamasego Senegelo is currently the Deputy Permanent Secretary responsible for Industry, in the Ministry of Investment, Trade and Industry (MITI). She has a Master of Social Science Degree in Development Finance (University of Birmingham, UK), and a 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). Ms Senegelo is currently a Board member of the Competition Commission and the Botswana Innovation Hub.

## Board Members *[continued]*



**MRS. PATIENCE MOTSWAGOLE**  
MEMBER

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 16 years' work experience, with 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 the legal departments at the Citizen Entrepreneurial Development Agency (CEDA), Barclays Bank of Botswana Limited, First National Bank of Botswana Limited and BancABC Botswana. Mrs Motswagole has served on the Board of the Public Enterprises Evaluation and Privatization Agency (PEEPA), the National Environmental Fund (NEF) and as a trustee on the Board of the FNB Staff Pension Fund. She is currently the Board Secretary and Legal Advisor at the Public Procurement and Asset Disposal Board (PPADB).



**MR BRIGHT MOTSU**  
MEMBER

Mr Bright Moses Motsu is a Chartered Accountant with 17 years' work experience, commencing his accounting career with Barloworld and then Kgalagadi Breweries as a Cost Accountant. He joined KPMG Botswana as an auditor in 2002, where he qualified as a Chartered Accountant in 2003. He later joined Botswana Telecommunications Corporation (BTC) and Debswana as a Treasury Manager between 2004 and 2007. Mr Motsu joined Barclays Bank in October 2007 from Debswana to set up the Product Control Unit as its Head. In December 2016, Mr Motsu was appointed to act as Head of Commercial Asset Finance within Barclays Bank.

His qualifications include FCCA, FCA, MSc Strategic Management (University of Derby), ACI, AAT, Advanced Diploma in Commercial Lending, as well as a Management Development programme (University of Stellenbosch). He is a qualified ISO Auditor and was appointed ACCA Global Ambassador in 2015. Mr Motsu serves on the Board of Fairground Holdings and he is also a subcommittee Board Member of the Botswana Unified Revenue Services (BURS). Furthermore, he is an independent trustee for the Botswana Housing Corporation (BHC) staff pension fund.



## Board and Sub-Committee Membership

BOARD MEMBER	BOARD	TECHNICAL ADVISORY COMMITTEE	FINANCE & AUDIT COMMITTEE	BOARD TENDER COMMITTEE	HUMAN RESOURCE COMMITTEE	BOARD EXCO
Mr Batlhatswi Tsayang	Chairperson					Chairperson
Mr Bright Motsu	•	•	Chairperson	•		•
Mr Oabile Regoeng	•	Chairperson	•		•	•
Dr Haniso Motlhabane	•	•		Chairperson	•	•
Ms Nelly Wamasego Senegelo	•	•		•		
Mrs Patience Motswagole	•	•		•	Chairperson	•

*Mrs Bilkiss Moorad - Resigned in June 2016*

*Mrs Mama M. Maite - Resigned in June 2016*

*Mr Thatayaone Molefhi - Resigned in June 2016*

*Mr Rockie Mmutle - Resigned in July 2016*

## Executive Management



**Dr Tebogo T. K. Matome** *Chief Executive Officer*



**Mr Cosmas Moapare**  
*Deputy CEO - Support Services*



**Mrs Masego Gwaila-Madanika**  
*Deputy CEO - Client Services*



**Mr Kabelo Nkwane**  
*Director, National Branch Network*



**Mr Monyadiwa Masilo**  
*Director, Information Technology*



**Mr Lesitamang Paya**  
*Director, Innovation & Sector Support*



**Mr Lisenda Lisenda**  
*Director, Corporate Planning*



**Mr Donald Fologang**  
*Director, Capacity Development*





**Mrs Ontlametse Sebonego**  
*Director, Risk & Internal Audit*



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



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



**Ms Bitsang Kgosi**  
*Director, Human Resources*



**Mr Gaboipeelwe Motlhabane**  
*Quality Management Representative*



**Ms Dynah Solani**  
*Director, Research & Development*



**Mr Wanetsha Mosinyi**  
*Communications Manager*



**Mrs Joy Norman**  
*Board Secretary & Legal Services Manager*



**Mr Gordon Mbongwe**  
*Strategy Manager*

## Branch & Incubator Managers



**Mr Oreneile Padipadi**  
*Senior Manager (North)*



**Ms Segakolodi Ntebele**  
*Branch Manager (Masunga)*



**Mr Victor Mphafe**  
*Branch Manager (Ghanzi)*



**Mrs Gertrude Molefi**  
*Branch Manager (Gaborone)*



**Mr Lesedi Ngakane**  
*Branch Manager (Molepolole)*



**Mr Joseph Lennwe**  
*Branch Manager (Kasane)*



**Mr Agripah Hengari**  
*Branch Manager (Maun)*



**Ms Mmoloki Kesalopa**  
*Branch Manager (Francistown)*



**Mrs Dulu Moaisi**  
*Branch Manager (Ramotswa)*



**Ms Anastacia Mamelodi**  
*Branch Manager (Mochudi)*



**Ms Martha Keikanetswe**  
*Branch Manager (Kanye)*



**Ms. Masego Tsiang**  
*Branch Manager - (Selibe Phikwe)*





**Mrs Shatho Orapeleng**  
*Branch Manager (Tsabong)*



**Mrs Kgomotso Masunga**  
*Branch Manager (Serowe)*



**Mr Oratile Koloka**  
*Incubator Manager - Gaborone  
Leather Industries Incubator*



**Mrs Lovvy Otimile**  
*Incubator Manager - Francistown  
Industrial Business Incubator*



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



**Mr Isaac Bok**  
*Incubator Manager - Glen Valley  
Horticulture Incubator*



**Mr Molefi Basutli**  
*Incubator Manager - Kutla Incubation  
Centre*

## Chairman's Statement



*Graduate  
enterprises*

**11**

compared to 3 in  
2015/16

**“LEA has made strides in  
terms of delivering its mandate  
as a capacity developing entity  
for the SMMs.”**



**It is with great pleasure that I present to you the LEA 2016-17 annual report.**

This report is presented in accordance with Section 26 of the Small Business Act No 16 of 2008. Let me begin by underscoring that, while the year under review was challenging on many fronts, it was equally exciting in a number of ways.



The year was challenging because of the financial constraints we continued to face as an organization, and exciting in terms of the milestone we reached in some of our key strategic projects. The hallmarks of the 2016-17 reporting year were that the period marked the last year of the 2014-17 strategy and the finalization of the National Development Plan (NDP) 11 (April 2017 – March 2023). The NDP 11 more than before, places LEA at the centre of ensuring economic prosperity of Botswana.

The plan heightens the need for LEA to accelerate its capacity development interventions and continue to help Botswana to start and grow their businesses into competitive and sustainable enterprises, thereby contributing immensely towards Government goals of inclusive growth, employment creation and poverty eradication. These expectations are tempered by the fact that LEA has had insufficient financial resources for the past six years. However, be that as it may, the Authority continued to mitigate these challenges by executing the planned initiatives and projects as effective and efficient as possible. The achievements of the year under review are highlighted in this report.

#### **Corporate Strategy**

The 2016-17 financial year marked the last year of the implementation of the 2014-17 Strategy. This strategy opened up our assistance to all sectors of the economy, while offering differentiated service interventions to the Micro Enterprises (MEs) and the Small and Medium Enterprises (SMEs) as different distinct groups. Micro Enterprises are categorized as those with a Turnover of less than P300,000.00 and

those above are considered SMEs. The service offering to MEs entails scheduled trainings on LEA's accredited courses being; Sales and Marketing, Business Planning, Record Keeping and Entrepreneurship Development Training (EDT) and over the counter interventions.

As regards the SMEs, the services were designed to offer high quality interventions designed to meet the peculiar needs of the clients and focused on business growth and expansion to assist in increasing the clients' turnover, profitability, job creation and investment levels. At their annual retreat in December 2016, the Board and Management resolved that this strategy, currently offers us the best route to successfully achieve our objective, hence a decision was made to continue with this strategy for another three years (2017-2020). It is our believe that this strategy is well aligned to the NDP 11 as well as Vision 2036, and will therefore accelerate our ability to effectively contribute to the attainment of their goals. The four Thematic Areas of NDP 11 are: Economy and Employment; Sustainable Environment; Governance, Safety and Security; and Social Upliftment. The four Pillars of Vision 2036 are: Sustainable Economic Development; Human and Social Development; Sustainable Environment; and Governance, Peace and Security. LEA plays an instrumental role in the NDP 11 Thematic Areas and Vision 2036 Pillars through its various SMME capacity building programmes.

#### **Operational highlights**

The 2016-17 reporting period saw the execution of key milestones in some of our strategic projects. These projects are the Leather Industry Park, to be constructed in Lobatse and Kutla Incubation Centre in Gaborone. It is important to note that LEA's facilitation of entrepreneurship transcends beyond capacity building initiatives to the provision of infrastructure to its clients.

## Chairman's Statement [Continued]

The Leather Industry Park and Kutla Incubation Centre projects are at the heart of this objective and we commend the contribution of Government in these projects.

As regards the Leather Park during the reporting period, the Environmental Impact Assessment (EIA) of the project was completed. This is a very important milestone which paves the way for the actual construction of the project to start in the 2017-18 financial year. Once operational, the Leather Industry Park will provide private sector activities in hides and skins collection, raw to finished leather tanneries and manufacturing of different leather products such as shoes, belts, jackets and others, thereby playing an instrumental role in economic diversification.

The Kutla Incubation Centre on the other hand is expected to contribute towards Human Capital Development and address skills mismatch which has always been highlighted as one of the main reasons for unemployment of graduates from our education system.

### Financial highlights

LEA relies solely on Government for its financial upkeep. Because of the budgetary constraints that government faces, LEA has received a constant subvention over the last six years. This has negatively affected the ability of the organisation to

attract and retain high performance human resources and the ability to offer advanced interventions geared towards creating competitive SMEs. This, in our opinion, has curtailed the ability of the organisation to fully achieve its mandate and objectives. However, this fact has also created some learning going forward, which shall see LEA going through some rationalisation of its services in order to sharpen its delivery capabilities.

### Corporate Governance

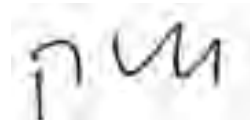
I am happy to report that the Board continues to be guided by the shareholder compact it signed with the Ministry of Investment, Trade and Industry. All Board sub-committees are currently functioning and dispensing their responsibilities. LEA has made strides in terms of delivering its mandate as a capacity developing entity for the SMMEs. However, this responsibility has not been commensurate with the level of financial commitment as indicated by no growth in the budget allocation to LEA for the past six years.

### Acknowledgements

The founding CEO of LEA, Dr Tebogo Trevor Kinsley Matome will be leaving the organisation on the 31 August, 2017, after exactly twelve years of loyal and dedicated service. On behalf of the LEA Board members, LEA employees, and indeed on behalf of Botswana at large, I would like to take this opportunity to thank

him for his contribution to the growth of entrepreneurship and SMME development in Botswana. For me, it has been a key privilege to work with him and I will always cherish the time we spent together. He leaves behind the LEA as a going concern, having set an indelible mark on the entrepreneurship landscape of Botswana. I wish him success in all his future endeavours.

I want to pay tribute to the incredible 'LEA STARS' (LEA Employees), who continue to deliver excellent service to the nation. Lastly, I am grateful to the continued support LEA gets from our shareholder, the Minister of Investment, Trade and Industry Honourable Vincent T. Seretse and his Team. We remain indebted to their strategic guidance and support, despite the many challenges we face.



**Batlhatswi S. Tsayang**  
Chairman of the Board

# Re thusitse Mosu Safari Tours

go bona madi a go godisa kgwebo.



## Business Growth

Etela lekalana la LEA re go thuse ka ditsela tsa go godisa le go nonotsha kgwebo ya gago.

#BotsaLEA

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

Tla re go thuse, o godise kgwebo



LOCAL ENTERPRISE AUTHORITY



*"Mogwebi, re go tlhoma kwa pele."*  
Training • Mentoring • Market Access • Technology Support



## Chief Executive Officer's Statement



**1473**

business plans  
submitted for  
funding

**1282**

entrepreneurs  
trained

**25 529**

trainees attended  
entrepreneurship  
awareness workshop

**“We were excited by the huge response from citizens who came with very interesting business ideas, many of which materialized into successful enterprises.”**

**LEA's journey began on the 1st September 2005, with the Organisation tasked with a comprehensive mandate of implementing the SMME policy of 1998.**

Prior to this, the country's SMME landscape was characterised by lack of a comprehensive SMME Development policy, multiple programmes and institutions. We were inspired by the fact that our organisation had the potential to influence an enterprise culture that the Government sought to build as a means of diversifying the economy.

It has been 12 years of a stimulating, exhilarating and challenging journey. A journey with much hope and potential. It was stimulating because we were tasked with nurturing entrepreneurship and SMME development. We were excited by the huge response from citizens who came with very interesting business ideas, many of which materialized into successful enterprises. It was, and continues to be our ambition to make a difference in the lives of ordinary citizens across the different parts and sections of the society through SMME development.

The journey had its challenges, chief among them being the financial economic crisis that affected the world in 2008. The dawn of the global economic recession coincided with LEA at its infancy of operation, where our operational budget was not fully settled, as we were beginning to roll out our interventions. The resultant budgetary constraints, among others, has conspired to render some of our grand plans stillborn.

This year marks the last of my annual imposition, that of providing an update on the progress of the Local Enterprise Authority. This is my 12th and last edition as the CEO of LEA. I have therefore considered it appropriate and fitting to provide a summary of our achievements and challenges in the last decade. It is our belief that a strong, vibrant and dynamic SMMEs community should play a critical role in our economic developmental efforts as the country.

Over the last decade the organisation has demonstrated how Entrepreneurship Promotion and SMME development can play a critical role in the country's developmental goals of industrialisation, employment

creation, and poverty reduction, through the strengthening of both forward and backward industrial linkages with larger firms and taking advantage of the government procurement budget.

At the centre of creating a vibrant entrepreneurship culture and SMME development is the development of a conducive policy framework. I am happy to share that the Local Enterprise Authority in the last 5 years in partnership with the Commonwealth Secretariat and MITI developed the National Entrepreneurship Policy and Strategy. The policy aims to; improve the effectiveness and efficiency of business development and financial assistance programmes and institutions; improve investment in research and innovation; improve policy coherence and implementation and imbed entrepreneurship in the education system. I am happy to announce that this policy, which objective is to place "Botswana in the comity of front ranking entrepreneurial and innovative nations by 2036" will be presented to the Cabinet, and subsequently taken to the National Assembly for consideration.

The SMME Policy has over the last decade been driven by the need to improve the level of entrepreneurship, empower entrepreneurs, and grow enterprises. As a result, we have introduced a number of targeted initiatives aimed at improving the rate of business start-up and also to ensure the sustainability and competitiveness of existing businesses. These initiatives include among others, Investment Facilitation; Entrepreneurship Awareness Workshops; Business Mentoring, Monitoring and Coaching; Business and Technical Training; and Business Incubation. Over the last decade, the organisation has developed 2 749 business plans worth P1.3 billion. Only 658 business plans worth P277 million have been approved. This is mainly

## Chief Executive Officer's Statement *[Continued]*



due to the limited financial environment faced by SMMEs, caused by low risk appetite for SMME start-ups and restrictive business loans requirements of our financial sector.

Entrepreneurs drive business success and their level of knowledge and experience is critical to the growth and survival of the business. Over the last decade the organisation has been able to capacitate 17, 040 entrepreneurs, through business mentoring, coaching and technical and business training. In an effort to promote general entrepreneurship and SMMEs awareness among youth, the Local Enterprise introduced the Entrepreneurship Awareness Workshops (EAW) in 2012. The programme targets secondary school leavers, vocational education trainees, as well as prison inmates left with six (6) months to complete their sentences. To date the programme has enrolled 115 102 participants, to encourage them to take up entrepreneurship as an alternative career option.

### 2016-17 Performance

In the 2016-17 financial year, the organisation successfully registered 92 Small and Medium Enterprises and 4405 Micro enterprises. In addition LEA submitted 1473 business plans for consideration by both government and private sector financial institutions. These business plans were valued at P375.24 million, out of which P257.03 million were business plans facilitated for Micro clients (mainly applicants for the Youth Development Fund and other Government Empowerment Programmes), and P118.21 million worth of business plans were facilitated for the Small and Medium Enterprises. Only 134 business plans valued at P32.22m were approved for funding by different financial institutions. Inadequate financial products for SMMEs continue to be the main challenge in the SMME creation, due to the risks associated with funding start-ups hence the low SMME start-ups as evidenced by only 43 new SMMEs created against a target of 68

in the 2016-17 financial year. In the same year, LEA has trained 1282 entrepreneurs in different training interventions such as tradeshow readiness, branding, packaging and labelling, intellectual property training, clustering, entrepreneurship development, marketing and business planning. In addition to the above, LEA continues to make strides in its effort of inculcating entrepreneurship within the citizenry. As at 31 March 2017, a total of 25 529 trainees were trained through EAW. Of these EAW trainees, 24 352 were youth comprised of 10 730 males and 13 622 females.

Our incubation programme is designed to accelerate the development of current entrepreneurs by providing them with conducive business operating spaces and practical business and technical training. All of our five incubators around the country being the Leather Industries Incubator in Gaborone, the Glen Valley Horticulture



Incubator, also in Gaborone, the Light Industrial Incubator (FIBI) in Francistown and the Pilane Multi-Purpose Incubator, were fully occupied. The incubatees in these incubators continue to perform well in the market and have been able to access the markets. In addition, the Leather Industries Incubator continues to produce and deliver high quality leather products for different local customers like the Botswana Police Service, the Botswana Prison Services, the Botswana Defence Force (BDF) and the Debswana Mines.

During the period under review, the following products were supplied; branded police ladies handbags, pistol pouches, handcuff pouches and sword pouches. Furthermore, the incubatees fitted BDF's ceremonial helmets with leather straps. The Leather industries incubator and its incubatees are currently manufacturing protective gloves, spats and aprons, as well as non-leather items such as the grease drum lid covers and tool kit bags for the Debswana Mines. This is mainly geared towards achieving government efforts of import substitution and economic diversification.

In terms of the creation of the Leather Industries Park to be established in Lobatse, we are pleased to provide a positive update on it in that, the Environmental Impact Assessment has been completed and the Project Manager has been engaged. Furthermore, the establishment of a Special Purpose Vehicle (SPV) has been completed and it is called the Leather Industry Park (Pty) Ltd. The construction of the park is scheduled to commence in the 2017-18 financial year. However this will be preceded by the engagement of a Technical Advisor.

The Kutla Incubation Centre has been completed and is scheduled to start providing short term practical technical and business training during the 2017-18 financial year. As part of the project, the incubator will house 12 projects namely: 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.

As of 31 March 2017, the overall organizational performance stood at 85% against a target of 75%; a 10% surpassing of its target. The above achievements are remarkable as they occur in the face of constricted budgetary resources and unattractive remuneration package which has resulted in talent drain. The staff turnover has improved, both for staff in general and mission critical staff in the financial year under review.

LEA's efforts over the last decade have recently seen improved rankings with respect to the Global Entrepreneurship Monitor of 2016. The Country Entrepreneurial Intentional Rate and Total Early-Stage Entrepreneurial Activity (TEA) Rate are ranked Second and Third in the World respectively. This is an indication that, as a country, our entrepreneurial culture is improving. The improvement in the entrepreneurship culture must be viewed in the context of obstacles in the policy and regulatory framework, which makes it difficult for local entrepreneurs to start and grow their businesses. Access to land, markets, high costs of electricity connections and lack of variety and diversity in the financial provision continue to constraint our SMMEs to reach their potential.

It has been a wonderful twelve years of service dedication and a memorable journey. I have had the pleasure and privilege of serving under different Ministers, Assistant Ministers, Permanent Secretaries at the Ministry of Investment, Trade and Industry, and also working with different Board Chairpersons, Boards as well as leading a team of wonderful, hardworking and resilient staff. I wish to extend my personal appreciation to the leadership of the Ministry of Investment, Trade and Industry for their continued support towards me and LEA in the last 12 years. I also thank the LEA Board for the much valued strategic guidance and direction that they have provided. To LEA Management and employees, it is only through your hard work that we have been able to exceed our performance targets over the last twelve years. Last but critically important, we 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 partnership in the implementation of various initiatives and their support.

With my imminent departure from LEA on 31 August 2017, I wish the organisation well in its future endeavours. I am indeed most grateful to have been afforded the opportunity to start and run LEA on behalf of the Government of Botswana.



**Tebogo T.K. Matome**  
Chief Executive Officer's

## Board and Governance



### LEA BOARD COMPOSITION

The LEA Board was established in accordance with the Small Business Act (SBA) No 16 of 2008 and the LEA Board Charter. The Board is mandated to monitor the strategic functioning of the organization and to set the direction and pattern of good governance in implementing change and in mobilizing and allocation of resources within the organization. The LEA Board has a current membership of six members who are responsible for directing and supervision of the management of the organization's activities, assets and affairs.

## LEA GOVERNANCE POLICY FRAMEWORK

The Board's main governance framework consists of the following;

- Small Business Act No 16 of 2008.
- Other Acts of Parliament and Amendments thereto.
- LEA Board Charter, adopted in 2006.
- King III Code of Governance Principles.
- Terms of Reference of Sub-Committees.
- Strategic Plan adopted from time to time.
- LEA Board Policies, as adopted from time to time.

The LEA Board has four Board sub-committees that provide strategic guidance to the organization in compliance with the statutory requirements. In addition to the four sub-committees, the LEA Board approved the creation of a Board Executive Committee in March 2017.

## BOARD EXECUTIVE COMMITTEE

The Board EXCO Sub-Committee's main objective is to assist the Board in fulfilling its oversight responsibility over the Authority's functions of the provision of SMME Development in Botswana. The Committee's mandate is to make final decisions, which ensures that all the running projects that the Authority engages in are implemented efficiently and effectively according to best practice and within available resources and time.

## TECHNICAL ADVISORY COMMITTEE

The purpose of the Technical Advisory Committee (TAC) is to assist the Board in fulfilling its oversight responsibility over LEA's functions of promoting and facilitating entrepreneurship and enterprise development in Botswana through targeted interventions which are:

- 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 businesses and other SMMEs.

- Exploitation of Government and large firm procurement opportunities.
- Facilitating changes in regulations, standards, infrastructure and access to finance.
- Facilitating technology adoption and diffusion.
- Creating awareness of the plight of the SMME Sector.

## BOARD TENDER COMMITTEE

The purpose of the Board Tender Committee (BTC) is to assist the Board by assuming an oversight role, considering and making decisions on all Local Enterprise Authority Tender matters including tender procedures and processes.

## FINANCE AND AUDIT COMMITTEE

The purpose of the Finance and Audit Committee (FAC) is to assist the Board in fulfilling its oversight responsibilities by reviewing and making recommendations to the Board regarding:

- Financial information, including audited financial statements which will be provided to the Board of Directors and to stakeholders.
- Strategic financial plans and the annual operating budgets.
- Internal controls systems.
- Internal audit processes.
- Investment management activities.
- Risk management process which includes the identification and evaluation of significant exposures to risks.

## HUMAN RESOURCES COMMITTEE

The purpose of the Human Resources Committee (HRC) is to assist the Board by assuming an oversight role over all LEA human resource, remuneration and compensation matters through the following:

- Making recommendations for consideration of the Board pertaining to the appointment and dismissal of senior officers.
- Maintaining objectivity and neutrality in determining remuneration, benefits

and allowances for the LEA and appropriate human resources policies and strategies.

- Ensuring that the LEA keeps abreast of developments in the labour market and that the Authority adopts suitable best practices in human resource management.

## CORPORATE GOVERNANCE STATEMENT

### Risk and Internal Audit

The Local Enterprise Authority promotes a culture that encompasses strong corporate governance, sound business practices and highest ethical conduct. The Authority's governance framework is supported by the following mechanisms established by the LEA Board:

### 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 support frameworks have been established:

### Enterprise-wide Risk Management (ERM) Framework

The organization has implemented an ERM framework from which comprehensive risk registers are generated from the corporate scorecard, divisional scorecards and key projects. Current projects that are ongoing are the Leather Industry Park and the Kutla Incubation Centre.

The risk register focuses on effective risk management by identifying 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 on the implementation of mitigating measures and identification of emerging risks.



## Board and Governance *[continued]*

### Safety, Health and Environment (SHE) Structures

LEA maintains the SHE structures throughout its Head Office, the branch network and business incubators. The aim of the SHE structures is to continuously improve on safety, health and environmental concerns within the workplace. Activities undertaken during the period under review included SHE inspections and conduction of fire drills at all LEA branches and incubators around the country.

### Business Continuity Plan (BCP)

The Authority 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 other operational reporting.
- Compliance with policies, procedures and applicable laws.
- Safeguarding of organizational assets.

The Finance and Audit Committee of the LEA Board is tasked with overseeing the work of the department. This includes the review of assignments undertaken and recommending the approval of the Risk Based Internal Audit Annual Plan to the Board.

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 the reviewing of the organization's risk management practices and strengthening of the overall control environment. The Committee, as well as the entire Board, continues to support and place reliance on the work of the Internal Audit function.

### 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 in which the control environment is based.

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

### Fraud Policy and Whistle-blowing Hotline

In an endeavor to discourage 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 therefore sensitized on the Fraud Policy and the whistle-blowing service on an annual basis.

During the current reporting period, the Authority instituted a Tip-Off anonymous survey amongst employees, with the aim of identifying gaps and developing mitigating factors for their closure. A tip-off campaign plan has been developed for implementation during the 2017-18 financial year.







## Innovation and Sector Support



### BUSINESS INCUBATION PROGRAMME

#### Glen Valley Horticulture Incubator

The incubator occupancy performance level for the year 2016-17 was 100% with the first batch of trainees graduating in December 2016, and the second batch at the end of April 2017. Occupancy comprised of six clients from the initial re-modeling period and 19 clients from the second re-modeling exercise who occupied eight net-houses. The Incubator re-modeled to adopt training with production model which resulted in an increase of trainees. Unlike in the other incubators with a two year incubation programme, the Glen Valley Horticulture Incubator programme is only one cropping season which is nine months for the current crop (tomato production).

During the year, the second cropping cycle was shortened by the infestation of tomatoes with the leaf minor pest, resulting in the uprooting of all tomato plants in the country to stamp out the pest. Prior to the outbreak, the incubator produced good quality tomatoes for the markets which included wholesalers and retail stores.

#### Gaborone Leather Industries Incubator

The incubator continues to offer training on leather works and assist potential incubatees in developing business proposals to source funding. The incubator operated at 100% occupancy during the review period and managed to produce a number of orders notably for the Botswana Police and the Prison Services. These included 30

branded police ladies handbags, 20 pistol pouches, 40 handcuff pouches and 40 sword pouches. Furthermore, the incubated clients fitted 253 Botswana Defense Force (BDF) ceremonial helmets with leather straps.



The Leather Industries Incubator has also manufactured protective leather products for the Debswana Diamond Company, namely protective gloves, spats and aprons, as well as non-leather items such as the grease drum lid covers and tool kit bags. During the year, orders for the tool kit bags and drum covers stood at 247 and 20 respectively, and 122 bags and 20 drum covers were supplied. Debswana identified LEA's leather incubation programme as a platform through which it can assist in growing the leather manufacturing sub-sector in Botswana, at the same time empowering local SMMEs to gain skills. Other leather products manufactured at the Leather Incubator include belts, handbags, crafts and upholstery.

#### **The Pilane Multi-Purpose Incubator**

The focus of the incubator on food processing and manufacturing industry continues to show positive results. This incubator also operated at 100% occupancy during the period under review, and has seen some of its clients growing from micro stage to small enterprises, accessing funding and expanding their operations. The Pilane Multi-Purpose incubatees operated businesses which consisting of food processing, chemical production, textiles and door mats manufacturing.

Still in the 2016-17 financial year, food processing businesses at the incubator were assisted to source new technologies that enhanced production. These included among others industrial stoves, blenders, sterilizers, freezers, grillers packaging and batching machines. The adoption of these equipment has improved these enterprises' performance, and enabled increased capacity to supply additional markets in and around their area of operation.

#### **The Francistown Industrial Business Incubation (FIBI)**

The FIBI concentrates on metal works, carpentry and textile services. As at end of March 2017, the occupancy rate of the incubator stood at 100% and client performance had improved.

#### **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 Batswana respectively.

#### **Leather Industry Park**

The leather industry park with a Common Effluent Treatment Plant (CETP) was adopted as a development model to address lack of finished leather for SMMEs in Botswana, and to create a conducive environment for this sector to grow. The following components of the project were achieved during the 2016-17 financial year;

- a. Completion and approval of the Environmental Impact Assessment (EIA) study by the Department of Environmental Affairs (DEA).
- b. The engagement of the Project Manager, who conducted the topographic survey and geotechnical investigations to input into the detailed EIA study.
- c. The Project Manager submitted the project concept development paper/ inception report.

Work is in progress to secure other important components of the Leather Industry Park project such as the Technical advisor and the technical partner/investor.



## Innovation and Sector Support *[continued]*



### 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.

As part of the project, the incubator will house 12 projects namely: 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. As at the 31st March 2017, 11 out of the 12 plants were procured and delivered on site. Operations at the Kutla Incubation Centre are expected to commence during the 2017-18 financial year.







## National Branch Network



### BUSINESS PLANNING AND CREDIT FACILITATION

LEA through the 13 branches, coaches and facilitates SMMEs to develop bankable business plans to access funding by various financing institutions. During the financial year 2016-17, LEA facilitated development and submission of 1473 business plans valued at P375.24 million, out of which P257.03 million were business plans facilitated for Micro clients and P118.21 million worth of business plans were facilitated for the Small and Medium Enterprises. Business plan development remains a major intervention that generates investment value through approved (converted) business plans.

Out of the 1473 business plans submitted for funding, 134 were approved, valued at P32.22 million. Financing institutions continue to regard SMMEs as high risk and are therefore overly cautious in consideration for funding. However, LEA will continue its efforts to recruit new businesses with potential for business plan development by conducting targeted outreach activities.

### NUMBER OF NEW SMMES

LEA client mobilization efforts and intensified outreach through the use of a mobile truck has yielded an enrolment of 4405 Micro clients against a target of 5400, and 92 SMEs against the 100 targeted. Partnerships with the Department of Gender Affairs and the Ministry of Youth Empowerment, Sport and Culture Development (MYESCD) for referrals have seen multitudes of clients seeking LEA services, particularly the development of business plans, in order for them to meet the requirements for obtaining funds from these organizations.

### LEA INTERVENTIONS AND JOB CREATION

The 2016-17 financial year saw the Authority offering 2503 various interventions to SMEs across all sectors, against the 1894 targeted. These interventions included enterprise diagnostic, enterprise monitoring, business counselling and coaching among others. On the other hand, 20793 interventions were offered to the Micro enterprises, against a target of 25000. Micro interventions included services such as business counselling, screening, needs and gap analysis. This assistance rendered to the SMMEs resulted in a total of 727 sustainable jobs created.

### RESOURCE CENTRES

All LEA branches have Resource Centres that are accessible to both LEA assisted enterprises and members of the public. The Resource Centres serve as information storage facilities, and provide business related information to SMMEs through provision of material such as books, magazines and newspapers. The centres also house computers with internet that the entrepreneurs use to carry out research that enhances their businesses, as well as equipment such as copiers, printers, scanners, binding and fax machines, all accessed at subsidized rates. During the 2016-17 financial year, 5332 SMMEs from varied business interests utilised the LEA Resource Centres across the country.



### OUTREACH PROGRAMME

The LEA outreach is done in and around the main centres/branches, to ensure that the LEA value offer is widely communicated and reaches ordinary citizens country-wide. Participation at various outreach activities also enhances new client recruitment, thereby more clients registering to get assistance from LEA. The outreach programme has been heightened by the use of a mobile stop truck during the year. A total of 652 outreach activities were conducted against a target of 338.



## Capacity Development



LEA continues to implement programmes that up-skill and capacitate the LEA assisted enterprises, as well as inculcate a spirit of entrepreneurship amongst Batswana. This is achieved through offering both basic and advanced interventions that are meant to assist in the growth and competitiveness of SMMEs in Botswana:

### Entrepreneurship Awareness Workshops (EAW)

In order to accelerate entrepreneurship in Botswana, LEA continues to implement these workshops, targeting students at senior secondary schools, technical colleges, brigades and others. EAW are conducted to highlight to the recipients the significance of entrepreneurship and business development as an alternative to formal employment,

for them to consider starting their own enterprises and employing other Batswana. The workshops were attended by 25529 participants across the country in 2016-17 (10730 males and 13622 females), against the 24000 targeted. This was an increase from the 25189 beneficiaries recorded during the 2015-16 financial year.

### Training and Skills Development

A total of 947 SMMEs were trained on basic business training, against a target of 920. These consisted of 52 LEA assisted Small and Medium Enterprises and 895 non-LEA enterprises, who received training on the following: Entrepreneurship Development Training (EDT), Business Planning, Sales and Marketing, Record Keeping, Computer Skills and Customer Service, Supervisory Skills and Project Management. Non-LEA clients included students from the University of Botswana, Botswana University of Agriculture and Natural Resources (BUAN),

Directorate of Public Service Management (DPSM) employees and beneficiaries of programmes that are facilitated by the Botswana Innovation Hub (BIH), the Ministry of Youth Empowerment, Sport and Culture Development (MYESCD) and MITI.

Furthermore, 335 entrepreneurs were trained on various aspects relevant to their businesses. These advanced training included awareness on branding, packaging and labelling, intellectual property and trade Show readiness.

### Coaching and Mentoring

During the period under review, 53 SMEs were coached in preparation for exhibition at various trade fairs such as the Business Botswana Northern Trade fair, Ghanzi Agricultural Show, Chobe Agricultural Show, Global Expo, Botswana Travel and Tourism Expo and the International Travel Bourse (Berlin, Germany). In addition, 16



SMEs in the food processing, veterinary services, hospitality and catering industries received mentoring services on various aspects in order to enhance their growth and competitiveness in the market:

- Quality and productivity improvement systems, processes and certification.
- Development of Governance and Human Resource policies.
- Livestock embryo planting.
- Website development.
- Technology sourcing.

#### **CLUSTER DEVELOPMENT**

The Authority continues to sensitize entrepreneurs on the clustering concept and how they can benefit from operating as clusters. This financial year, a total of 44 clients received training on clustering awareness. These were mainly clients from the Glen Valley Horticulture Incubator, Ramotswa and Maun Branches.

#### **PARTNERSHIPS**

In order to enhance service delivery and advance LEA services, LEA collaborates with strategic partners across industries. The following stakeholders were engaged and value adding projects and programmes were developed during 2016-17:

#### **BOTSWANA ACCOUNTANCY COLLEGE (BAC)**

The partnership between LEA and the BAC started in 2014 when the two institutions signed a five year Memorandum of Understanding (MoU), which centred on attaching the BAC students to the LEA assisted enterprises. The programme aims at according the learners practical skills and understanding of operating businesses, at the same time offering the enterprises advise on how to improve their businesses. The 2016-17 financial year saw 104 students attached to 23 LEA assisted enterprises in Gaborone, Mochudi, Ramotswa, Molepolole and the Leather Incubator in Gaborone.

#### **DEPARTMENT OF NATIONAL INTERNSHIP (DNI)**

The programme aims at attracting young start-up entrepreneurs, who are then mentored by existing businesses through on-the-job training. The entrepreneur is attached to the sponsoring company if they are in the same line of business. The programme provides the youth with the opportunity to learn necessary business management skills and prepare them to manage their own businesses. Seven internship beneficiaries graduated from the programme in March 2017. LEA continues to offer business advisory services and necessary support to these interns, for them to start their own businesses.

#### **BOTSWANA UNIVERSITY OF AGRICULTURE AND NATURAL RESOURCES (BUAN)**

LEA and BUAN collaborated for the Agripreneur project, where selected BUAN students were availed space and equipment to operate poultry and horticulture projects. The LEA then empowered the students with business management training, mentoring and all the necessary aspects of starting a business such as company registration and business plan preparation. The four beneficiaries for the 2016-17 financial year successfully completed the programme, and two of them have partnered and opened a poultry project. Assessments have already started to identify the 2017-18 beneficiaries.

#### **UNIVERSITY OF BOTSWANA (UB)**

LEA implements the Next-Step project in collaboration with the University of Botswana. A total of 77 students have attended an awareness workshop, and out of this 46 were screened. LEA has offered EDT to 12 students, who managed to pay the required P240.00 for the training. Follow-up on the next-step graduates is currently ongoing to profile participants and assess how far they have progressed in terms of setting up their own businesses.



## Capacity Development *[continued]*



### STANBIC BANK

LEA in partnership with Stanbic Bank Botswana started a competition in 2013, to encourage the Glen Valley Horticulture Incubator clients to adopt and implement good horticulture management and business practices in their enterprises. During 2016-17, the programme recognized and awarded best performing trainees who were producing in all incubator structures namely the green houses, tunnels and shade net houses. The graduates are expected to replicate the lessons learnt in terms of crop husbandry, technologies such as irrigation and fertigation, as well as usage of varied structures such as green houses, tunnels and shade nets.









## Human Resources



The Human Resources Division is committed to attracting and retaining a top talented and diverse workforce for the Authority. In order to achieve this, the Division provides a range of support services, programmes and resources in the areas of recruitment and selection of employee benefits, compensation, compliance, employee relations, recognition, performance management learning and development.

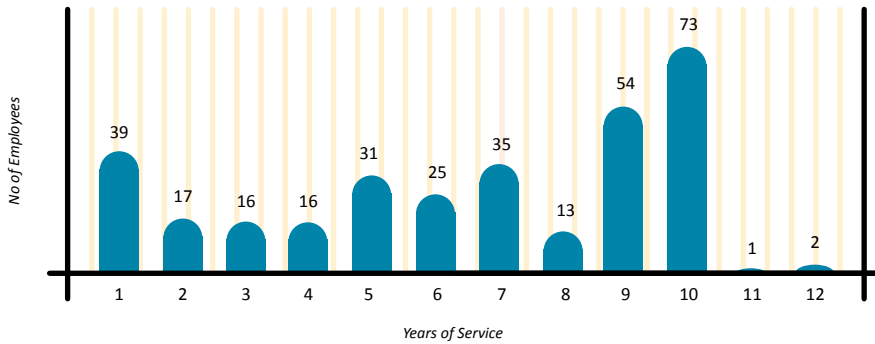
### Staff Establishment

During the 2016-17 financial year, LEA had a staff complement of 322 across its 10 Divisions, 13 Branches and four Incubators, against an establishment of 349. These consisted of 161 males and 161 females. The LEA continues to target youth for employment as part of the Government initiative on Youth mainstreaming. Fifteen employees were recruited during the year, nine of whom were youth (one male and 8 females). As at 31st March 2017, the LEA workforce comprised of 78 youth employees (32 males and 46 females).

### Staff Turnover

The LEA-wide general staff turnover stood at 4.3% (14 employees) against a target of 13%, whilst mission critical staff turnover stood at 3% (4 employees) against a target of 7%. This is a reduction compared to general staff turnover of 7.5% and mission critical staff turnover of 7.3% attained during the 2015-16 financial year, where the Authority lost a total of 24 employees.

## No of Employees by Year of Service



### Performance Management System (PMS)

The LEA subscribes to the Balanced Scorecard principles, hence its adoption of the PMS in assessing employees on the four Balanced Scorecard Perspectives. In addition, the Authority has four core values of Botho, Self-Driven, Transformational Leadership and Partnership, which have been adopted to promote a high performance culture, and are assessed during the PMS as part of the competencies. For the year 2016-17, following the cascading of the Corporate Strategy to all staff members and approval of Divisional Annual Plans, the HR Division facilitated the Divisions across the Authority in aligning employees Performance Contracts to the Divisional Annual Plans. All employees were contracted as per the process and performance appraisals were conducted at mid-term (check point) as well as at the end of year (overall performance appraisal). The Authority continues to conduct calibration/moderation of performance scores in order to improve the robustness of the PMS.

### Staff Wellness

LEA values the well-being of staff and recognizes their contribution in the achievement of the organizational mandate. It is therefore critical to continue uplifting employee morale in order to enhance productivity levels. In an effort to improve staff morale and ensure that LEA has healthy employees, the Authority

through its partnership with Independent Counselling Advisory Services (ICAS)-Botswana, continues to provide Employee Wellness Programmes such as counselling services, motivational and health talks, as well as management consultancy support. Sixty-six employees utilized the ICAS-Botswana services this financial year, a slight decline compared to the 72 recorded during the 2015-16 financial year.

In addition, the Authority recognized and awarded one employee for the 10 years of service, while 29 were recognized for the five years' service with LEA. The total number of employees who have been with the organization in excess of five years continues to increase, and is currently at 203. This indicates the employees' commitment to the LEA as their employer.

In order to promote good health amongst the employees, LEA joined other MITI Parastatals for the 3rd episode of the annual sport tournament. The tournament also served as a networking platform that enhanced relationship building amongst the participants from different organizations namely CEDA, Copyright Society of Botswana (COSBOTS), BITC, Botswana Development Corporation (BDC), Botswana Bureau of Standards (BOBS) and Competition Authority (CA).

### Employee Relations

The Authority and the Botswana Public Employees Union (BOPEU) as provided for in their Collective Labour Agreement (CLA) continue to engage each other for purposes of consulting and negotiating matters relating to the LEA Conditions of Service. In the year 2016-17, the Authority through the Joint Negotiations and Consultative Committee (JNCC) was able to discuss issues in a pleasant environment with the aim of creating a harmonious relationship as a foundation for future negotiations and consultative processes. During these negotiations, JNCC was able to resolve some matters, while others were resolved amicably through mediation and/or arbitration as provided for in the CLA.

### Government Internship Programme

LEA continues to offer graduates work experience through the Government Internship Programme in order to ready them for employment in the economy. The officers on internship get exposure in applying the knowledge learned at school into the work environment. During the 2016-17 financial year, LEA absorbed five new graduates in the following disciplines: Finance (2), Legal (1) Procurement (1), Information Technology (1), bringing the total number of interns to six by 31st March 2017.

### Leadership Assessment Survey

During the period under review, Management conducted the LEA EXCO Values Survey which was a perception survey on how the LEA employees perceive the LEA leadership to be living the LEA values of Botho, Self-Driven, Transformational Leadership and Partnership. This survey resulted in an Action Plan which seeks to imbed a values driven high performance culture. The implementation of the Action Plan will commence in the 2017-18 financial year, and it is expected to yield improved employee morale and service delivery to the LEA clients.

## Corporate and Stakeholder Communications



### 2016 BOTSWANA SMME PITSO AND SEMINAR

The annual Botswana SMME Pitso and Seminar was held on the 21st April 2016 in Gaborone. Themed “Capacitating SMMEs: A Catalyst to Employment Creation in Botswana,” the Pitso specifically aimed at creating a dialogue amongst all stakeholders that are responsible for the development of the SMME sector in Botswana. This stakeholder engagement initiative therefore allows for discussions surrounding the successes and challenges that inhibit the growth of the SMMEs, as well as recommendations to improve the business landscape and enhance competitiveness and sustainability of the SMMEs.

The 2016 SMME Pitso was officiated by the Minister of Investment, Trade and Industry, Honourable Vincent T. Seretse, and Dr. Tiroyaone Mampane, the founding President of Boitekanelo Group of Companies was the Guest Speaker. Stakeholder participants included the Government Ministries and Departments, Parastatals, the SMMEs, the Private sector and the general members of the public.

#### Seminars

Alongside the Pitso were seminars which were facilitated by different institutions including buyers/markets, Government Departments, financial and business development institutions. These interactive sessions enabled information dissemination to the SMMEs, on how the SMMEs can access their services in order to grow their businesses. The organizations that conducted the seminars were: The Office of the President (Economic Stimulus Package), the Botswana Investment and Trade Centre (BITC), Sefalana Group, Department of

Labour, Botswana Insurance Company (BIC), the Citizen Entrepreneurial Development Agency (CEDA), Department of Tourism, Debswana, Botswana Chamber of Mines and Tokafala.

#### Creation and development of linkages

During the 2016-17 financial year, the Authority continued efforts to accord the clients' goods and services exposure to markets. A total 41 LEA assisted SMEs were assisted to exhibit at various trade fairs at subsidized stall rates, as well as attend the scheduled buyer-seller one on one meetings to discuss market requirements





to be met and supply opportunities. The SMEs participated at the following local trade fairs: the Business Botswana Northern Trade Fair, Gantsi Agricultural Show, Chobe Agricultural Show, Global Expo and the Botswana Travel and Tourism Expo (BTTE). In addition, LEA facilitated for six SMEs to attend regional trade missions and fairs in collaboration with the BITC. These were the Zimbabwe International Trade Fair, the Southern African International Trade Exhibition (SAITEX), and the Namibia Contact Promotion Mission. The trade fairs also serve as networking platforms where the exhibitors benchmark with industry players and acquire information from various capacity building institutions that offer developmental services.

#### Buyer seminars

Buyer seminars were held across the 13 LEA branches, aimed at creating a platform for both producers and procuring entities to network and acquit each other with their respective buying procedures and requirements. The interaction promoted access to market opportunities in various regions as well as enhance networking between the buyers and the LEA assisted enterprises. The buyer seminars attracted LEA clients across sectors and varied markets consisting of the retail sector, Government

Departments, and the hospitality outlets among others. In addition, various capacity building institutions also came onboard to explain procurement related regulations. These included the Public Procurement and Asset Disposal Board (PPADB), the Economic Diversification Drive Unit (EDD), Companies and Intellectual Property Authority (CIPA) and the Botswana Unified Revenue Services (BURS).

#### Flea markets

Between April 2016 and March 2017, the Authority held a total of 156 monthly flea markets across the entire branch network, where a total of 1054 SMMEs exhibited. These consisted of the LEA assisted enterprises as well as beneficiaries of various institutions such as the Department of Gender Affairs, the Youth Development Fund (YDF) and the Social and Community Development (S&CD) Unit among others. Products and services showcased and sold during the flea markets included crafts, jewelry, leather products, vegetables, clothing, basketry and catering services.

#### Contact Centre

The LEA recognizes the need to keep regular and effective communication with all stakeholders, including the members of the public. The LEA contact centre therefore

serves as a centralized point of contact for members of the public to access information about the Authority. The centre administers inbound and outbound telephone calls and enquiries through the organization's toll free number and email. The Contact Centre offers preliminary business advisory and communicates the LEA mandate and services to the people enquiring, before guiding them to the LEA branches for further assistance on starting and growing their businesses. In furtherance of the customer satisfaction deliverable/objective, the contact centre periodically collects data from the SMMEs who visit all LEA branches and incubators, for the Authority to appreciate the customer satisfaction levels of the enterprises we serve.

The contact centre also manages the LEA website, which is another medium that the Authority uses to market and communicate with stakeholders. The website is linked to the LEA Facebook page and you-tube, which service the members of the public on social media. Having a centralized Contact Centre helps the Authority to maintain a constant message about its culture, brand, products and services. This ensures a consistent customer experience and high customer satisfaction over time.

## Corporate Social Responsibility



The three year adoption of Mpiti Primary School in Matobo village ended during the 2015-16 financial year, but continues to bear fruit as evidenced by an improved 2016 Primary School Leaving Examination (PSLE) pass mark. The school attained an overall pass mark of 96.4% in 2016, indicating progression from the 80.5% and the 80% achieved in 2015 and 2014 respectively.



In an endeavor to give back to the community it serves, the LEA Serowe Branch identified a house at the Serowe SOS Village for renovation. The branch mobilized the business community in the area to assist in the project by way of sponsorship. The house was renovated and handed over in February 2017.

The Ramotswa Branch extended a helping hand and donated groceries to the caregivers of Phala e e senang phalana, a group of women in Mogobane Village who have taken it upon themselves to take care of the elderly people in the village.

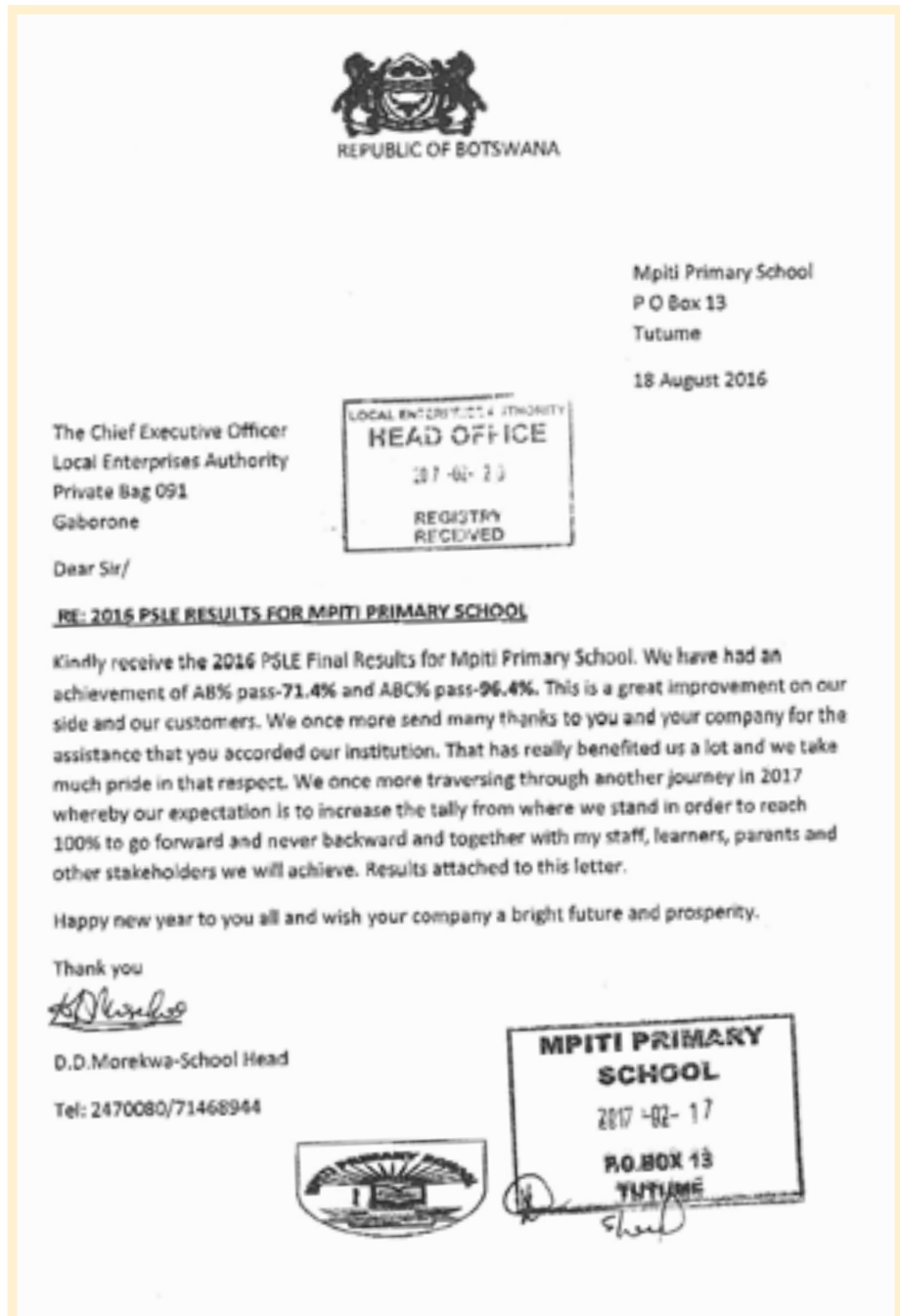
The Francistown Industrial Business Incubator (FIBI) Team donated school uniform and other clothing items to the Lephoi Center for visually impaired children in Francistown.

The Kasane Branch contributed and donated toiletries to the Chobe Primary Hospital in Kasane.

The Tsabong Branch donated school shoes to Seetelo Primary School pupils in Tsabong.

Masunga Branch donated fencing material for a yard belonging to an identified less privileged family in Semitwe village in the Tutume Sub-District.

All these are efforts by the Authority to recognize the under privileged members of the communities in which we serve in, and the need to contribute towards the improvement of their livelihoods. The initiatives also build onto the National Vision 2016 pillars of An Educated and Informed Nation, and A Just and Caring Nation.







## Research and Development

The LEA has the responsibility to avail information with a view to develop informed and knowledgeable SMMEs through market and business research as per the mandate. The Authority also identifies business opportunities for uptake by potential SMMEs, for the creation of new enterprises and expansion of existing businesses. In addition, the organisation conducts operational research to support decision making and aid SMME development strategies and programmes. During the 2016-2017 financial year, three research studies were conducted: The Tracer Survey on LEA Graduate Clients, Customer Satisfaction Survey and the Kutla Incubation Centre Market Profiles.

### Tracer Study on LEA Graduated Clients

The main objective of the study was to provide baseline information on the status of the LEA assisted SMMEs after they graduate from LEA branches and incubators. The survey targeted 35 enterprises consisting of nine from the branches and 26 from the incubators. The study has established that there is full survival across all businesses that graduated from the LEA branches, as none of them has collapsed.

Regarding incubation graduates, majority of whom were the Glen Valley Horticulture Incubator beneficiaries, there was low success as some never started operations post-graduation, while some diverted from horticulture to other sectors, despite the horticulture training they had received whilst incubated. For those that are still

operational, there is a low adoption of the technologies they were exposed to during the incubation programme, mainly due to difficulty in accessing funding to replicate such technologies at their farms. The other trainees did not start operations due to the inability to secure farming land with water.

### Customer Satisfaction Index

As an ISO 9001:2008 certified organization, the LEA regularly collects feedback from its customers for products and services improvement purposes. During the 2016-17 financial year, two customer satisfaction surveys were conducted, one in September 2016 and the other in March 2017. Both surveys indicated that the LEA assisted enterprises were highly satisfied with the services they received, as evidenced by

satisfaction levels of 92.8% and 87.6% respectively, against an organizational target of 80%.

### Kutla Pilot Incubation Market Profiles

The Authority conducted the market profiles for eight out of twelve products earmarked for the Kutla Incubation Centre. The primary objective of the study was to provide market information for the project beneficiaries, for them to fully appreciate the market dynamics for the products they would be manufacturing. The profiled products were; liquid detergents, packaging materials, tomato puree, wire nails, soya milk, knitted socks, potato wafers and ice cream cones. The market profiles for sunflower oil, toilet paper, maize flakes and bread making were completed during the 2015-16 financial year.





## The LEA Quality Management System (QMS)



The constant changes in market requirements makes it increasingly imperative for organizations to use QMS as a tool for competitiveness, development and continuous improvement in pursuit of their mandate. A QMS integrates the various internal processes within the organization and provides a process approach for implementation of projects and initiatives. A Process Based QMS enables the organizations to identify, develop, measure, control and improve its processes, which ultimately lead to improved business performance in an endeavor to meet the customers' needs.

For an organization of LEA's size, with a complexity of processes and a wide-spread footprint of a head office and thirteen branches across the country, the need for a consistent service of good quality cannot be over emphasized. In its endeavor to standardize service delivery within all its offices/branches, the LEA has since 2009 adopted, implemented, maintained and certified a QMS in accordance with the requirements of the international ISO 9001:2008 Standard. Like all international standards, the ISO 9001:2008 was revised to align with improvements and changes in

technology, supply chain management and globalization. The revised ISO 9001:2015 is premised on a risk-based approach, which is instrumental for preventive action.

Following the publication of the revised standard, the Botswana Bureau of Standards (BOBS) has since communicated a three year transition plan. LEA has therefore started working towards this transition, and a team of seven QMS auditors was trained against the ISO 9001:2015 standard in order to spearhead the implementation of the standard and to ensure a smooth and timely transition.

The certification remains a vital tool to both internal and external stakeholders as it bears evidence of LEA's commitment to quality service delivery and ability to satisfy customers. LEA is counted amongst the 1.5 million organizations worldwide that are committed to customer satisfaction under the guidance of the globally recognized ISO 9001:2008 standard.



# Information Technology

## LEA ICT Strategy

In order to enhance business efficiency, LEA recognized the need to develop a comprehensive Information and Communication Technology (ICT) strategy that spans a period of three (3) years. LEA recognizes the importance of ICT and its use as a critical component to organizational success.

The strategy aims to address some of the key issues that emanated from the situational analysis that preceded the development of the strategy, and guides the implementation of relevant ICT initiatives, to enhance the contribution of technology towards supporting the Authority's mandate. At present, there are challenges in implementing the strategy in its current form due to limited budget. However, the strategy guides on a number of ICT projects that the Authority embarks on.

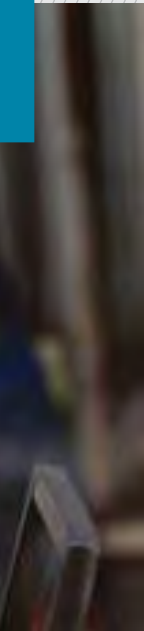
## New Project

In a quest to boost productivity for employees, the Authority has made a decision to adopt cloud computing as its computerization strategy for most of its systems. This move will ensure that information is available when needed everywhere, thereby harnessing the power of internet. The project will be implemented during the 2017-18 financial year.





# GRADUATED ENTERPRISES







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## KGATLENG CHEMICALS



### Background

Kgatlang Chemicals (Pty) Ltd is a company owned by Mr Thuso Mpapane. The business joined the LEA incubation programme at the Pilane Multi-Purpose Incubator as a start-up in 2013. Kgatleng Chemicals manufactures cleaning chemicals of different types including washing soaps, pine gels and cleaning liquid detergents.

### Relationship with LEA

The Incubator assisted and facilitated growth of this youthful start-up and improved its manufacturing processes for quality purposes. The enterprise was assisted with regulatory requirements such as trade license and registration for PPADB and EDD. Over the years, LEA has facilitated for Kgatleng Chemicals to participate and showcase their products at various trade exhibitions including the Global Expo, Consumer Fair, Kgatleng District market day and SMME Pitso. Kgatleng Chemicals has also attended several training through LEA namely; Product Costing, Entrepreneurship Development, sales and marketing, tradeshow readiness, branding, packaging and labeling as well as EAW.

These interventions impacted positively on the business, hence the client added waste management and collection as additional services to be offered by the business. The business currently supplies cleaning chemicals to organizations such as LEA, BDF, schools in the Kgatleng region, fuel stations and individual members of the public. Upon realizing growth and expansion, the client was graduated from the Incubator in January 2017. The company graduated with four employees and is now operating in Bokaa village. Occasionally, LEA engages the business promoter, Mr. Mpapane, to give testimony on the benefits of the incubation programme to potential and existing SMMEs.

## COOL ESKIMOS

### Background

Cool Eskimos Ice (Pty) Ltd was established in 2010 by Mr Kabo Mmolawa. LEA enrolled the client in the incubation programme at the Pilane Multi-Purpose Incubator in 2012, and has since expanded from start-up micro to become a small scale enterprise. The company produces a variety of flavoured juice, non-juice pop-ice and packaged ice blocks.

### Relationship with LEA

Cool Eskimo Ice (Pty) Ltd benefited from a number of LEA interventions including training on Entrepreneurship Development, Occupational Health and Safety (OHS), branding, packaging and labelling. LEA also facilitated for the client to attend trade shows such as the Global Expo, Consumer Fair, SMME Fair, Kgatleng District open day and market day. Through the LEA hand-holding over the years, the company has grown significantly and currently supplies wholesalers, the retail market and vendors. Cool Eskimo Ice graduated in 2016 with six employees.



## HOUSE OF PAINT



### Background

House of Paint (Pty) Ltd has been incubated at the LEA Pilane Multi-Purpose Incubator since 2013, under the ownership of Ms. Neo Akanyang. The company specializes in the manufacturing of car paints, car paint toners, abrasives and car accessories.

### Relationship with LEA

The business was admitted in the Incubation programme as a start-up business from the Selebi-Phikwe Branch. It has benefited from various LEA interventions such as training on Entrepreneurship Development, trade show readiness and a workshop on labour relations. In addition, the House of Paint participated at various trade exhibitions such as the Global Expo, Consumer Fair, Kgatleng District market day and the Department of Gender affairs Expo. The company graduated from the incubation programme in 2016 as a small scale enterprise. House of Paint graduated with three (3) employees and currently operates in Mochudi. The prominent customers for the company are panel beaters in the Kgatleng region.



## DIPS MOTORS

### Background

Dips Motors (Pty) Ltd is an auto mechanical service provider situated in the Mogoditshane Industrial area. The business is owned by Mr Lipholo Van Vuuren and Mrs Nerea Van Vuuren. With a staff complement of 16, the business specializes in repairing CV joints, re-moulding of rubber joints and mechanical repairs.

### Relationship with LEA

Dips Motors registered with LEA in 2008. The company has benefited from various LEA interventions that include training on business planning, record keeping, quality and productivity, trade show readiness, sales and marketing, QMS Documentation and Audit Lead Trainer. Furthermore, Dips Motors attended the Bankers forum and was also assisted with technology sourcing for the business. The client has exhibited at various trade shows including the SMME Fair. LEA also provided business advisory and mentoring services on financial management, until Dips Motors graduated in March 2017.



## SUNRISE TRAVEL & TOURS



### Background

Sunrise Travel & Tours is owned by Mr. Lesego Dithore. The company was established in 2006 as a mobile safari, and it was upgraded to a travel agency in 2013. With six employees, it specialises in travel and tours, safari packages, air tickets sales, cross border tours, educational tours, car rental, camping equipment hire and travel insurance.

### Relationship with LEA

Sunrise Travel & Tours registered with LEA in 2008. The enterprise has benefited from a number of LEA interventions including training on: Entrepreneurship Development, record keeping, Trade show readiness as well as sales and marketing. The client also attended workshops such as the Bankers forum, quality and productivity awareness. LEA also facilitated the client's participation at exhibitions such as the Consumer Fair and the SMME Conference and Fair. The company's main customers are schools, corporates and individual members of the public.





## ZAREPHATH GUEST HOUSE



### Background

The business started operations in 2009 in Francistown, under the directorship of Mrs. Agnes Chiwaka. Zarephath Guest House has 8 rooms and provides bed and breakfast, laundry and catering services. The lodge currently employs six people.

### Relationship with LEA

Zarephath registered with LEA in 2008 as a start-up business. The Authority then assisted the owner to conceptualize the business idea into a fully-fledged enterprise. Since inception, the client has benefited from LEA interventions including business plan development to convert her residential house into a guest house. Upon receiving funding, the client was assisted with project implementation until construction was completed. The client attended trainings facilitated by LEA, which included; Entrepreneurial Development, sales and marketing, principles of marketing, budgeting, costing and pricing, Improve Your Business, customer care and records keeping.

In addition, the business was assisted with technology audit and pre-grading assessment, all of which led to the guest house being graded a one Star under commercial guest houses category. LEA also assisted the client with the branding intervention which opened doors for new markets. The client now accesses a wide array of customers including Parastatals, the private sector and individuals mostly in transit to and from Kasane, Maun and the neighbouring Zambia. The client graduated from LEA in February 2017.



## WATER LILY LODGE (Pty) Ltd



### Background

Water Lily Lodge (Pty) Ltd is owned and directed by Ms. Monica Kgaile and Ms. Matilda Kgaile. When the business enrolled with LEA in 2007, it had a sister company called Janala Tours and Safaris, and together had eight employees. The two companies were merged and managed as one entity. To date, Water Lily Lodge has grown into a medium scale business that employs 32 people.

### Relationship with LEA

Water Lily Lodge was subjected to various interventions based on the gaps that were identified during inception stage. These included training on Entrepreneurship Development, business planning, customer care, record keeping, trade show readiness as well as sales and marketing. The client was also assisted to attend the annual European exhibition, which is the basis of her target market. The business also benefited from the LEA business advisory, counselling and mentoring services such as installation of Semper, a booking and reservation system, as well as QuickBooks. The business later upgraded to Pan Strat, which is a booking, reservation and accounting package in one.

Furthermore, Water Lily Lodge was assisted with the human resource management operations, where LEA engaged a consultant to develop a company policy to curb issues of staff turnover and grievances. Other interventions include financial analysis and interpretation, mentorship and counselling, branding, packaging and labelling, intellectual property awareness and implementation. All these interventions enabled the enterprise to expand and add 10 chalets in Lesoma to increase its capacity. Water Lily Lodge clientele are the tourists, especially from abroad. The client graduated in March 2017.

## LEMEPE LODGE (Pty) Ltd

### Background

Lemepe Lodge and Conference Centre is located in Molepolole, and it is owned by Mr Isaac Motlhabane and Mrs. Lesang Motlhabane. The facility has been in operation for 16 years, offering accommodation, inside and outside catering, conferencing as well as travel and tour services. The Lodge has 23 rooms, 3 Conference Rooms and a staff complement of 39.

### Relationship with LEA

Lemepe Lodge registered with LEA in 2007, and has since benefited from various LEA interventions that include; training on business management, customer service, branding, packaging and labelling, cost and inventory management, and Trade Show Readiness. In addition, the business was assisted with technology audit and awareness on quality and productivity, and has exhibited at the SMME Fair. Lemepe Lodge was also coached on the PASTEL Accounting system and point of sale, and mentored on human resources and business policies.

Through the LEA interventions and proper management, the client expanded to Mogoditshane, where she established a 16 room lodge with a conference facility. Currently the business is in the process of completing the state of the art Convention Centre, with a sitting capacity of 500 people. Lemepe services markets such as Government institutions and the general public, and serves as a stopover for tourists on transit to Khutse Game Reserve and Central Kalahari Game Reserve (CKGR).





## AGRICORNER



### Background

Agricorner started operations in 2011 under the directorship of Mr Modungo Mmolawa and Mrs. Modiri Mmolawa. The business supplies stock feeds for poultry, sheep and cattle, dips, de-wormers, medicines, supplements and veterinary equipment such as ear tag applicators, chicken feeders and drinkers. Agricorner outlets are located in Molepolole, Letlhakeng and Gaborone, and have a total of 12 employees.

### Relationship with LEA

The enterprise has been a LEA client since 2011, and has received various LEA interventions such as training on Entrepreneurship Development, customer service, branding, packaging and labelling, sales and marketing, improve your business, financial management and trade show readiness. Furthermore, the business was assisted with technology sourcing (POS and security camera installation), as well as showcasing their products and services at market days. LEA coached and mentored Agricorner on the human resource policy and governance policy. Their main customers include the farming community and the general members of the public. The company graduated from LEA in 2016.





## BERLINA INDUSTRIES



### Background

Berlina Industries is a carpentry business owned by Mr Dick T. Ndaba. It has been incubated at FIBI since 2015, and specializes in furniture manufacturing. The enterprise had six employees when it started operations.

### Relationship with LEA

During the incubation period, Berlina Industries received the following interventions; linkages with District Councils, business management coaching, product finishing, good manufacturing practices, taxation and labour issues amongst others. The client was also trained on Entrepreneurship Development, Intellectual and Property Rights, branding, packaging and labelling, as well as trade show readiness prior to exhibiting at the Business Botswana Northern Trade Fair and flea markets. The main customers for this enterprise include the Central and Local Government-District Councils, as well as individual members of the public. Berlina Industries graduated from the LEA incubation programme in March 2017.



## AMOGELANG SORGHUM MILLING



### Background

Amogelang Sorghum Milling has been operating from Mmankgodi for the past 20 years. It is owned by Mr Chabaesele Nkitseng, and the milling company's key product is sorghum meal packaged in various sizes including 1.5kg, 2.5kg, 5kg and 10kg bags. The business currently employs a total number of seven employees.

### Relationship with LEA

Amogelang Sorghum Milling joined LEA in 2008, and LEA has facilitated its growth through offering various interventions that include; business plan development and facilitation of access to funding, as well as technology audit and sourcing. In addition, the enterprise was trained on records keeping, trade show readiness, branding, packaging and labelling. LEA continues to coach and monitor the business, and it currently supplies sorghum meal to wholesalers and retail stores in and around Gaborone.











LOCAL ENTERPRISE AUTHORITY

# AUDITED ANNUAL FINANCIAL STATEMENTS



# LOCAL ENTERPRISE AUTHORITY



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## BOARD MEMBERS' REPORT

for the year ended 31 March 2017

The Board members have pleasure in presenting their report together with the financial statements of the Local Enterprise Authority ("the Authority") for the year ended 31 March 2017.

### Nature of business

The Authority carries on the business of promoting and facilitating entrepreneurship and SMME development in Botswana through targeted interventions in pursuit of economic diversification. The Authority is a government parastatal, incorporated and domiciled in Botswana, under the Small Business Act No.16 of 2008.

### Review of Authority's financial position and results

The Authority's financial position and results are reflected in the financial statements set out on pages 70 to 92. The Authority realised a surplus of P8 444 804 for the year (2016: deficit for the year of P9 613 889).

### Events after the reporting date

The Board members are not aware of any matter or circumstance arising since the end of the financial year not dealt with in this report, or these financial statements which would have a significant impact on the operations of the Authority or the results of its operations.

### Members of the Board

Mr Batlhatswi Tsayang (*Chairman*) (*Reappointed: 01 December 2014*)

Mr Oabile Regoeng (*Reappointed: 01 November 2015*)

Mrs Patience Motswagole (*Appointed: 01 November 2015*)

Ms Nelly Wamasego Senegelo (*Appointed: 26 May 2015*)

Dr Haniso Motlhabane (*Reappointed: 01 August 2014*)

Mr Bright Motsu (*Appointed: 01 August 2016*)

Mrs Mama Maite (*Resigned: 30 June 2016*)

Mr Thatayaone Molefhi (*Resigned: 30 June 2016*)

Mrs Bilkiss Moorad (*Resigned: 30 June 2016*)

Mr Rockie Mmutle (*Resigned: 30 July 2016*)

### Registered office

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

### Secretary

Joy Norman

### Auditors

KPMG Botswana  
Plot 67977, Fairgrounds Office Park  
Gaborone  
Botswana  
Tel: +267 391 2400  
Fax: +267 397 5281

### Bankers

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



## BOARD MEMBERS' RESPONSIBILITY STATEMENT

for the year ended 31 March 2017

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The Board members are responsible for the preparation and fair presentation of the financial statements of Local Enterprise Authority, comprising the statement of financial position at 31 March 2017, and the statements of surplus or deficit and other comprehensive income, changes in funds and cash flows for the year then ended and notes to the financial statements which includes a summary of significant accounting policies, in accordance with International Financial Reporting Standards.

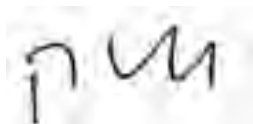
The Board members are also responsible for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management and the preparation and presentation of the supplementary information included in these financial statements.

The Board members have made an assessment of the ability of the Authority to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

### Approval of the financial statements:

The financial statements of Local Enterprise Authority, as identified in the first paragraph, were approved by the Board of members on 12 September 2017 and are signed on their behalf by:



Chairman



Chief Executive Officer



KPMG, Chartered Accountants  
 Audit  
 Plot 67977, Off Tlokweng Road,  
 Fairgrounds Office Park  
 PO Box 1519, Gaborone, Botswana  
 Telephone +267 391 2400  
 Fax +267 397 5281  
 Web <http://www.kpmg.com/>

## INDEPENDENT AUDITOR'S REPORT

### To the Members of the Local Enterprise Authority

#### *Opinion*

We have audited the financial statements of Local Enterprise Authority ("the Authority"), which comprise the statement of financial position at 31 March 2017, the statement of surplus or deficit and other comprehensive income, cash flows and changes in funds for the year then ended and notes to the financial statements, which include a summary of significant accounting policies, as set out on pages 70 to 92.

In our opinion, the financial statements give a true and fair view of the financial position of Local Enterprise Authority at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

Board members are responsible for the other information. The other information comprises the rest of the information contained in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Board members for the Financial Statements*

The Authority's Board members are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Board members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board members either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board members.
- Conclude on the appropriateness of the Board members' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board members with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**KPMG**

#### **KPMG**

Certified Auditors

Practicing member: Francois Roos (20010078:45)

26 September 2017

Place: Gaborone



## STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2017

*In Pula*

	<i>Notes</i>	<b>2017</b>	<b>2016</b>
Government subvention		139 910 140	147 708 000
Amortisation of capital grants	9	5 490 055	3 927 570
Amortisation of revenue grants	10	5 980 522	2 638 176
Other operating income		3 479 969	6 120 690
		154 860 686	160 394 436
Operating expenses		(147 924 565)	(171 555 611)
Operating surplus/(deficit)		6 936 121	(11 161 175)
Finance income	2	1 508 683	1 547 286
Net surplus/(deficit) for the year		8 444 804	(9 613 889)
<b>Total comprehensive income for the year</b>		<b>8 444 804</b>	<b>(9 613 889)</b>

# STATEMENT OF FINANCIAL POSITION

at 31 March 2017

In Pula

	Notes	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	87 673 161	82 858 221
Intangible assets	5	-	14 770 492
		87 673 161	97 628 713
<b>Current assets</b>			
Trade and other receivables	6	5 845 946	6 278 901
Cash and cash equivalents	8	38 962 705	33 645 670
		44 808 651	39 924 571
<b>Total assets</b>		<b>132 481 812</b>	<b>137 553 284</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Accumulated surplus/(deficit)		1 142 534	(7 302 270)
<b>Non-current liabilities</b>			
Deferred capital grants	9	75 329 077	82 381 617
<b>Current liabilities</b>			
Short-term portion of deferred capital grants	9	5 490 055	3 927 570
Trade and other payables	11	27 122 476	49 871 192
Deferred revenue grants	10	23 085 017	7 822 840
Bank overdraft	8	312 653	852 335
		56 010 201	62 473 937
Total liabilities		131 339 278	144 855 554
<b>Total equity and liabilities</b>		<b>132 481 812</b>	<b>137 553 284</b>

## STATEMENT OF CHANGES IN FUNDS

for the year ended 31 March 2017

*In Pula*

	Accumulated surplus/ (deficit)
<b>Balance at 1 April 2015</b>	2 311 619
Total comprehensive income for the year	(9 613 889)
<b>Balance at 31 March 2016</b>	(7 302 270)
Total comprehensive income for the year	8 444 804
<b>Balance at 31 March 2017</b>	<b>1 142 534</b>



# STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

In Pula

	Notes	2017	2016
<b>OPERATING ACTIVITIES</b>			
Operating surplus/(deficit) for the year		6 936 121	(11 161 175)
<b>Adjustment for:</b>			
Depreciation	4	5 450 562	5 882 122
Amortisation of grants		(11 470 577)	(6 565 746)
Amortisation of intangible assets	5	(876 224)	4 923 497
Profit on disposal of motor vehicles		(110 280)	(678 981)
<b>Operating deficit before changes in working capital</b>		<b>(70 398)</b>	<b>(7 600 283)</b>
Movement in trade and other receivables		499 871	803 342
Movement in trade and other payables		(7 102 000)	30 960 490
<b>Net cash (used in)/generated from operations</b>		<b>(6 672 527)</b>	<b>24 163 549</b>
<b>INVESTING ACTIVITIES</b>			
Interest received	2	1 441 767	1 479 889
Proceeds from disposal of motor vehicles		267 436	678 981
Acquisition of intangible assets	5	-	(19 693 989)
Acquisition of plant and equipment	4	(10 422 658)	(10 003 445)
<b>Net cash used in investing activities</b>		<b>(8 713 455)</b>	<b>(27 538 564)</b>
<b>FINANCING ACTIVITIES</b>			
Government grants received	10	21 242 699	-
Capital grants received	9	-	5 999 998
		<b>21 242 699</b>	<b>5 999 998</b>
<b>Movement in cash and cash equivalents</b>		<b>5 856 717</b>	<b>2 624 983</b>
Cash and cash equivalents at beginning of year	8	32 793 335	30 168 352
<b>Cash and cash equivalents at end of year</b>	8	<b>38 650 052</b>	<b>32 793 335</b>

## SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2017

### Statement of compliance

Local Enterprise Authority carries on the business of promoting and facilitating entrepreneurship and enterprise development in Botswana through targeted interventions in pursuit of economic diversification.

The Authority is a Government parastatal, incorporated and domiciled in Botswana under the Small Business Act No.16 of 2008.

These financial statements represent the Authority's statutory financial statements. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

The financial statements for the year ended 31 March 2017 have been approved for issue by the Board members on 12 September 2017.

### Basis of preparation

The financial statements are presented in Pula, which is also the Authority's functional currency. All financial information presented in Pula has been rounded to the nearest Pula. The financial statements are prepared on the historical cost basis, except where otherwise stated.

The financial statements incorporate the following accounting policies, which are consistent with those applied in the previous financial year, except where otherwise stated.

### Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are continually evaluated and are based

on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

#### *Impairment loss on trade and other receivables*

The Authority reviews its receivables to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in profit or loss, the Authority makes judgements 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 these 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, useful lives and depreciation methods of property, plant and equipment*

The Authority estimates the useful lives, depreciation methods and related depreciation charges for its property, plant and equipment. These estimates are based on projections about the continued existence of a market for its services 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.

#### *Useful lives and amortisation of intangible assets*

The Authority carries out annual assessments regarding the appropriateness of the useful lives of intangible assets (note 5). Management exercises judgement to determine the appropriate useful lives of its intangible assets.

### Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of property, plant and equipment. The items of property, plant and equipment are depreciated over the following periods:

- Buildings 40 years
- Leasehold improvements 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

Freehold land is not depreciated as it is considered to have an indefinite economic life.

## SIGNIFICANT ACCOUNTING POLICIES *[Continued]*

for the year ended 31 March 2017

### **Property, plant and equipment** *[Continued]*

Capital work in progress comprises costs directly attributable to the construction of an asset. Assets remain in capital work in progress until they have become available for use or commissioned, whichever is the earlier date. At that time, these assets are transferred to the appropriate class of property, plant and equipment as additions and depreciated.

The residual value of each part of property, plant and equipment, if not insignificant, is reassessed annually. The useful lives and depreciation methods of these items are reassessed annually.

Each part of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Gains and losses on disposal of property, plant and equipment items are determined by comparing proceeds with the carrying amounts and included in profit or loss.

Repairs and maintenance costs are recognised in profit or loss during the financial period in which these costs are incurred. The cost of a major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Authority and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset or until the next planned major renovation, if this period is shorter.

### **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. Subsequent to initial recognition intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Amortisation is provided on a straight line basis over the estimated useful life of these assets. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write off the intangible assets, on a straight line basis, to their residual value. The amortisation charge is recognised in profit or loss. The intangible assets of the Authority consist of computer software which is amortised over 4 to 10 years.

### **Financial instruments**

#### **Financial assets**

The Authority recognises loans and receivables on the date that they are originated. All other financial assets are recognised on the trade date, which is the date when the Authority becomes party to the contractual provisions of the instrument. The Authority derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such transferred financial assets that is created or retained by the Authority is recognised as a separate asset or liability.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Authority in the management of its short-term commitments.

Bank overdrafts, which are payable on demand and form an integral part of the Authority's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Bank overdrafts are disclosed as current liabilities in the statement of financial position.

#### **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an impairment accrual. An accrual for impairment 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 these receivables. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that a receivable is impaired.



## SIGNIFICANT ACCOUNTING POLICIES *[Continued]*

for the year ended 31 March 2017

### **Financial instruments** *[Continued]*

#### **Financial assets** *[Continued]*

##### **Trade and other receivables** *[Continued]*

The amount of the impairment accrual 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 movement in the allowance account is recognised in profit or loss. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

##### **Financial liabilities**

The Authority initially recognises financial liabilities on the trade date, which is the date that the entity becomes party to the contractual provisions of the instrument.

The Authority derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Financial liabilities comprise trade and other payables.

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within twelve months (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

##### **Gains and losses on subsequent measurement**

Gains and losses arising from a change in the fair value of financial instruments are recognised in profit or loss in the period in which the change arises.

### **Offset**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Authority has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **Impairment**

#### **Financial assets**

A financial asset not measured at fair value through profit and loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of the impairment loss is recognised in profit or loss.

#### **Non-financial assets**

The carrying values of the Authority's non-financial assets, excluding inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in profit or loss. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in the prior periods are assessed at each reporting date for any indication that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment was recognised.

### **Deposits and prepayments**

Deposits and prepayments consist of balances paid to third parties in advance in exchange for future economic benefits in the form of goods or services or to comply with contractual requirements. These amounts are recognised at the original amounts paid.

### **Leases**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the lease periods. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

## SIGNIFICANT ACCOUNTING POLICIES *[Continued]*

for the year ended 31 March 2017

### Rental income

Rental income from the letting of incubators and training properties is recognised in profit or loss on a straight line basis over the term of the lease. Incubators and training facilities are leased out on terms and conditions specified in contractual operating lease agreements.

### Government grants

Capital grants comprise grants received from the Government of Botswana utilised towards capital expenditure. Funds received are credited to capital grants and the related assets are capitalised. An amount equal to the depreciation charge of the property, plant and equipment items funded by the capital grant is recognised as income in profit or loss. Subsequent movement of those property, plant and equipment items in terms of sale and impairment are treated accordingly in the capital grants.

Revenue grants comprise of grants received from the Government to fund working capital and are utilised for the operations of the Authority. These grants are recognised in profit or loss in the period in which the related expenditure is incurred. Revenue grants not yet utilised at the reporting date are recognised as deferred revenue in the statement of financial position.

Government subventions are recognised at their fair value where there is a reasonable assurance that the subventions will be received and the Authority has complied with all required conditions. Subventions relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

### Employee benefits

The cost of short term employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements to annual leave, bonuses, medical aid, housing benefits, severance benefits, gratuity benefits and pension fund contributions are recognised when they accrue to employees. The accruals are recognised for the estimated liabilities as a result of services rendered by employees up to the reporting date and are calculated at undiscounted amounts based on current wage and salary rates.

The Authority has a defined contribution pension scheme for salaried employees. The scheme is funded through payments to a private trustee-administered fund. A defined contribution plan is a pension plan under which the fixed regular contributions are paid into a separate entity (a fund) and the Authority will have no legal or constructive obligations 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. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Employees who are not members of an approved pension scheme or entitled to gratuities per employment contracts, are entitled to severance benefits as regulated by the Botswana Labour Regulations. An accrual is recognised for the estimated liability for services rendered by employees up to the reporting date. Severance benefits are not considered to be a retirement benefit plan as the benefits are payable on completion of a continuous employment period of five years or on a pro rata basis on termination of employment.

### Revenue

#### *Sales of services*

The Authority provides training services. These services are generally provided in accordance with the terms and conditions specified in contractual agreements. These agreements are based on the type of training required and the resources required.

Revenue from these 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.

#### *Finance income*

The Authority's finance income include interest income and foreign exchange gains and losses. Interest income is accrued on a time basis, using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Transactions in foreign currencies are translated to Pula at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Pula at the exchange rate at the reporting date. Foreign exchange differences are recognised in profit or loss.

## SIGNIFICANT ACCOUNTING POLICIES [Continued]

for the year ended 31 March 2017

### New standards and interpretations which became effective

The following standards, amendments and interpretations became effective during the year ended 31 March 2017:

Standard/Interpretation	Effective date	Impact on these financial statements
Disclosure Initiative (Amendments to IAS 1)	01 January 2016	No impact on the financial statements
IFRS14 Regulatory Deferral accounts	01 January 2016	No impact on the financial statements
Accounting for acquisitions of interests in joint operations (Amendments to IFRS 11)	01 January 2016	No impact on the financial statements
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	01 January 2016	No impact on the financial statements
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	01 January 2016	No impact on the financial statements
Equity Method in Separate Financial Statements (Amendments to IAS 27)	01 January 2016	No impact on the financial statements
Sale or Contribution of Assets between Investor and Its Associate or Joint Venture (Amendment to IFRS 10 and IAS 28)	01 January 2016	No impact on the financial statements
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	01 January 2016	No impact on the financial statements

### New standards and interpretations not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2017, and have not been applied in preparing these financial statements.

**Disclosure Initiative (Amendments to IAS 7):** The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted. These amendments are not expected to have a significant impact on the Authority's financial statements due to the nature of its current financing activities.

**IFRS 15 Revenue from Contracts with Customers:** This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. This standard may have an impact on the amount and timing of revenue transactions to be recognised by the Authority. The Authority is currently in the process of performing a more detailed assessment of the impact of this standard on its financial statements.



## SIGNIFICANT ACCOUNTING POLICIES *[Continued]*

for the year ended 31 March 2017

### **New standards and interpretations not yet effective** *[Continued]*

#### **IFRS 15 Revenue from Contracts with Customers:** *[Continued]*

The standard is however not expected to have a significant impact on the Authority's financial statements due to the nature of its revenue transactions.

**IFRS 9 Financial Instruments:** On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments*, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will have an impact on an entity, which may include changes in the measurement basis of an entity's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the allowance for impairment recognised by an entity.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application. Early adoption is permitted. Management is currently assessing the extent of the impact of the standard on the Authority's financial statements. The standard is however not expected to have a significant impact on the Authority's financial statements due to the nature of its financial instruments.

**IFRS 16 Leases:** IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the

previous leases standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The standard will result in current operating leases being disclosed in the Authority's statement of financial position with associate depreciation and amortisation charges recognised in profit or loss. The impact of the standard on the Authority's financial statements has not been fully determined.

#### **Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses:**

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses that are not assessed separately for recognition. These are assessed on a

combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type. The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted. These amendments are not expected to have any impact on the Authority's financial statements as the Authority is exempt from taxation.

#### **Amendments to IFRS 2: Clarifying share-based payment accounting:**

Currently, there is ambiguity over how an entity should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 *Share-based Payments*. The amendments cover three accounting areas:

- Measurement of cash-settled share-based payments – The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.
- Classification of share-based payments settled net of tax withholdings – The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.
- Accounting for a modification of a share-based payment from cash-settled to equity-settled, the amendments clarify the approach that companies are to apply.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The amendments are not expected to have any impact on the Authority's financial statements as the Authority does not have any share-based payment arrangements.

## SIGNIFICANT ACCOUNTING POLICIES *[Continued]*

for the year ended 31 March 2017

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### **New standards and interpretations not yet effective** *[Continued]*

**Amendments to IAS 40: Transfers of Investment property:** The IASB has amended the requirements in IAS 40 *Investment property* on when an entity should transfer a property asset to, or from, investment property. The amendments are effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The amendments are not expected to have a significant impact on the Authority's financial statements as the Authority does not hold investment properties.

**IFRIC 22: Foreign Currency Transactions and Advance Considerations:** When a foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on

how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which an entity initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation is effective for annual periods beginning on or after 1 January 2018. The interpretation is not expected to have a significant impact on the Authority's financial statements as it does not incur substantial foreign currency transactions on an annual basis.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

In Pula

	2017	2016
<b>1 Operating surplus/(deficit)</b>		
The operating surplus/(deficit) is stated after taking into account the following:		
Profit on disposal of motor vehicles	(110 280)	(678 981)
Rental income	(962 290)	(685 973)
Sundry income	(1 212 748)	(1 310 598)
Training and resource centre income	(624 898)	(2 847 188)
Auditors' remuneration – current year	320 000	321 916
Auditors' remuneration – prior year	-	112 000
Amortisation of intangible assets (note 5)	(876 224)	4 923 497
Board sitting allowance	179 769	67 180
Depreciation of property, plant and equipment (note 4)	5 450 562	5 882 122
Insurance	2 189 428	2 431 383
Legal fees	1 070 288	310 119
Operating lease rentals	11 092 880	11 697 920
Project expenses- Leather Park	4 348 037	1 997 793
Project expenses- Rapid Incubator	1 632 539	593 354
Remuneration paid to senior management	7 970 500	7 964 351
Repairs and maintenance	2 084 882	3 326 566
Security expenses	2 558 612	2 619 784
Staff costs	91 087 478	89 936 735
	<hr/>	<hr/>
<b>2. Finance income</b>		
Foreign exchange (loss)/gain	(788)	23 004
Interest received on bank deposits	1 441 767	1 479 889
Interest income accrued	67 704	44 393
	<hr/>	<hr/>
	1 508 683	1 547 286
	<hr/>	<hr/>
<b>3. Income tax</b>		

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



## NOTES TO THE FINANCIAL STATEMENTS [Continued]

for the year ended 31 March 2017

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### 4. Property, plant and equipment

	Capital work in progress	Land and buildings	Leasehold improvements	Plant and equipment	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Library books	Total
<b>Cost</b>										
<b>At 1 April 2015</b>	71 792	77 324 796	15 172 711	3 481 437	6 892 944	6 250 033	23 719 696	21 421 512	346 924	<b>154 681 845</b>
Additions	7 333 255	-	22 401	108 729	99 989	76 172	861 357	1 494 059	7 483	<b>10 003 445</b>
Disposals	-	-	-	-	-	-	(2 691 611)	-	-	<b>(2 691 611)</b>
<b>At 31 MARCH 2016</b>	7 405 047	77 324 796	15 195 112	3 590 166	6 992 933	6 326 205	21 889 442	22 915 571	354 407	<b>161 993 679</b>
Additions	6 879 970	-	50 241	-	198 650	337 281	2 628 909	327 607	-	<b>10 422 658</b>
Disposals	-	-	-	-	-	-	(538 820)	-	-	<b>(538 820)</b>
<b>At 31 MARCH 2017</b>	<b>14 285 017</b>	<b>77 324 796</b>	<b>15 245 353</b>	<b>3 590 166</b>	<b>7 191 583</b>	<b>6 663 486</b>	<b>23 979 531</b>	<b>23 243 178</b>	<b>354 407</b>	<b>171 877 517</b>
<b>Accumulated Depreciation</b>										
<b>At 1 April 2015</b>	-	9 156 139	15 026 394	3 330 242	4 259 462	5 546 186	19 880 460	18 437 366	308 698	<b>75 944 947</b>
Charge for the year	-	1 936 215	126 579	123 174	696 496	308 679	1 383 857	1 288 509	18 613	<b>5 882 122</b>
Disposals	-	-	-	-	-	-	(2 691 611)	-	-	<b>(2 691 611)</b>
<b>At 31 MARCH 2016</b>	-	11 092 354	15 152 973	3 453 416	4 955 958	5 854 865	18 572 706	19 725 875	327 311	<b>79 135 458</b>
Charge for the year	-	1 585 558	27 928	53 819	638 557	229 510	1 629 503	1 274 678	11 009	<b>5 450 562</b>
Disposals	-	-	-	-	-	-	(381 664)	-	-	<b>(381 664)</b>
<b>At 31 MARCH 2017</b>	-	<b>12 677 912</b>	<b>15 180 901</b>	<b>3 507 235</b>	<b>5 594 515</b>	<b>6 084 375</b>	<b>19 820 545</b>	<b>21 000 553</b>	<b>338 320</b>	<b>84 204 356</b>
<b>Net book value - 2017</b>	<b>14 285 017</b>	<b>64 646 884</b>	<b>64 452</b>	<b>82 931</b>	<b>1 597 068</b>	<b>579 111</b>	<b>4 158 986</b>	<b>2 242 625</b>	<b>16 087</b>	<b>87 673 161</b>
<b>Net book value 2016</b>	<b>7 405 047</b>	<b>66 232 442</b>	<b>42 139</b>	<b>136 750</b>	<b>2 036 975</b>	<b>471 340</b>	<b>3 316 736</b>	<b>3 189 696</b>	<b>27 096</b>	<b>82 858 221</b>

## NOTES TO THE FINANCIAL STATEMENTS [Continued]

for the year ended 31 March 2017

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### 4. Property, plant and equipment [continued]

Fully depreciated plant and equipment items at original cost are summarised as follows:

	Leasehold improvements	Plant and equipment	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Library books	Total
<b>Cost</b>								
At 31 March 2017	15 141 341	3 393 044	1 161 119	5 497 390	16 442 793	18 043 019	314 634	59 993 340
At 31 March 2016	14 955 001	3 284 114	205 622	5 073 669	16 106 196	17 778 896	302 567	57 706 065

Land consists of consolidated plots which houses the incubators, training facilities and branches that are located across Botswana. Land is held under freehold title deeds in the name of the Authority. A register of land held by the Authority is available at the Authority's registered address.

Capital work in progress consists of construction costs incurred in completing the Kutla Incubator including the procurement and installation of machinery to be used in the incubation project. The incubator project is expected to be commissioned post year end. At the reporting date all the necessary work was completed for the opening of the project. The incubation project is expected to train entrepreneurs in the making of detergents, tomato ketchup, cornflakes and sunflower oil extract. The project was funded from capital grants received from the Botswana Government and allocated to the project.

**NOTES TO THE FINANCIAL STATEMENTS** [Continued]

for the year ended 31 March 2017

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	2017	2016
<b>5. Intangible assets</b>		
<b>Cost</b>		
Balance at 01 April	33 505 691	13 811 702
Additions	-	19 693 989
Effect of change in estimate (note 16)	(15 646 716)	-
<b>Balance at 31 March</b>	<b>17 858 975</b>	<b>33 505 691</b>
<b>Accumulated amortisation</b>		
Balance at 01 April	18 735 199	13 811 702
Amortisation for the year	(876 224)	4 923 497
<b>Balance at 31 March</b>	<b>17 858 975</b>	<b>18 735 199</b>
<b>Net book value at 31 March</b>	<b>-</b>	<b>14 770 492</b>
<p>Intangible assets comprise of software and license costs relating to computerised accounting packages and systems. The Authority was issued with a supplier invoice for the use of the Oracle application of P19 693 989 in the prior year. This amount was capitalised and included as part of the intangible asset cost. Management subsequently negotiated with the vendor a reduced fee as the system was not compatible for an upgrade to the latest version. The fee was reduced to P4 047 273. This reduction in cost was considered a change in estimate and accounted for as per note 16.</p>		
<b>6. Trade and other receivables</b>		
Trade receivables	2 215 948	2 191 706
Less: impairment allowances	(2 189 640)	(2 080 112)
	26 308	111 594
Deposits and prepayments	4 511 852	4 113 873
Sundry receivables	493 337	609 035
Salary advances	814 449	1 444 399
	<b>5 845 946</b>	<b>6 278 901</b>



## NOTES TO THE FINANCIAL STATEMENTS [Continued]

for the year ended 31 March 2017

In Pula

	2017	2016
<b>7. Related parties</b>		
<b><i>Income/(expense) transactions with related parties</i></b>		
Government subvention	139 910 140	147 708 000
Amortisation of capital grants	5 490 055	3 927 570
Amortisation of revenue grants	5 980 522	2 638 176
Government of Botswana	151 380 717	154 273 746
<i>Key management personnel remuneration</i>		
Board allowances	(179 769)	(67 180)
Salaries and allowances	(7 970 500)	(7 964 351)
Post-employment benefits	(4 185 960)	(2 865 540)
	(12 336 229)	(10 897 071)

Key management personnel refers to the Board members and Executive Management. Related party transactions were conducted on mutually agreed terms and conditions. No balances were due to/from related parties as at the current or previous reporting date.

Related party	Relationship
Government of Botswana	Shareholder
Board members	Key management

### 8. Cash and cash equivalents

Short term deposits - call account balances	38 478 406	32 974 168
Current account balances	466 579	655 820
Cash on hand	17 720	15 682
	38 962 705	33 645 670

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following:

Short term deposits- call account balances	38 944 985	33 629 988
Bank overdraft	(312 653)	(852 335)
Cash on hand	17 720	15 682
	38 650 052	32 793 335

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

### 9. Deferred capital grants

Balance at 01 April	86 309 187	84 236 759
Amounts received	-	5 999 998
Amortisation recognised in surplus or deficit	(5 490 055)	(3 927 570)
Balance at 31 March	80 819 132	86 309 187

As at the reporting date the capital grants are analysed as follows:

Short term portion	5 490 055	3 927 570
Long term portion	75 329 077	82 381 617
	80 819 132	86 309 187

## NOTES TO THE FINANCIAL STATEMENTS [Continued]

for the year ended 31 March 2017

In Pula

### 9. Deferred capital grants [continued]

Capital grants represent Government grants advanced to the Authority to finance the purchase of property, plant and equipment. Capital grants are transferred to profit or loss 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. The short term portion of the deferred capital grant is the amount of grants that is expected to be amortised to profit or loss in the next 12 months.

	2017	2016
<b>10. Deferred revenue grants</b>		
Balance at 01 April		
Amounts received	7 822 840	10 461 016
Amortisation per surplus or deficit	21 242 699	-
	(5 980 522)	(2 638 176)
Balance at 31 March	23 085 017	7 822 840

Deferred income represents unutilised Government grants advanced to the Authority as working capital.

A reclassification of deferred income from capital grants was performed at the reporting date. The balances reclassified related to unutilised working capital advanced to the Authority and initially recognised as part of capital grants. As these amounts are expected to be utilised in the next 12 months, the amounts were reclassified to current liabilities in the statement of financial position.

### 11. Trade and other payables

Trade payables	2 746 612	30 132 467
Accruals for expenses	4 616 337	2 754 628
Payroll related accruals	19 759 527	16 984 097
	27 122 476	49 871 192

### 12. Commitments and contingencies

#### Operating lease commitments:

The future aggregated minimum lease payments under non-cancellable operating leases for premises from which the Authority operate are as follows:

Within one year	8 737 384	6 917 605
After one year, before five years	13 169 412	17 204 680
	21 906 796	24 122 285

#### Contingent liabilities

The Authority is defending claims through litigations action submitted by a former contractor for termination of a contractual agreement and another matter by two former employees for wrongful dismissal. Although liability is not admitted, if the defence against the actions is unsuccessful, the claims could amount to P2.6 million, all of which would be reimbursed under the Authority's insurance. Based on legal advice, Management believes that the defence against the action will be successful. All the cases are expected to be resolved within the next 12 months.

## NOTES TO THE FINANCIAL STATEMENTS [Continued]

for the year ended 31 March 2017

In Pula

### 13. Going concern

The Authority depends on Government funding in ensuring that it meets its statutory mandate. The Botswana Government as the shareholder has pledged to support the Authority in the next financial year through a Government subvention of P141 681 150. There were no going concern matters identified by the Board members as at the reporting date.

### 14. Financial instruments

#### Overview

The Authority has exposure to interest rate, liquidity, foreign currency and credit risk which arises in the normal course of business. This note presents information about the Authority's exposure to each of these risks, the Authority's objectives, policies and processes for measuring and managing these risks, and the Authority's management of capital. Further quantitative disclosures are included. The Board members have overall responsibility for the establishment and oversight of the Authority's risk management framework.

The Authority's risk management policies are established to identify and analyse the risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Authority's activities.

The Board members oversee how management monitors compliance with the Authority's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Authority. The following analysis indicates the carrying and fair values of financial instruments in the statement of financial position. The carrying and fair values of financial instruments are considered similar due to the short term nature of these instruments.

	2017	2016
<b>Financial assets</b>		
Trade and other receivables	1 334 094	2 165 028
Cash and cash equivalents	38 944 985	33 629 988
	<u>40 279 079</u>	<u>35 795 016</u>
<b>Financial liabilities</b>		
Trade and other payables	7 362 949	32 887 095
Bank overdraft	312 653	852 335
	<u>7 675 602</u>	<u>33 739 430</u>

#### Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Authority is exposed to credit risk are:

- amounts due from trade and other receivables; and
- investments in cash and cash equivalents.

The Authority limits the levels of credit risk that it accepts by placing limits on its exposure to a single counterparty or group of counterparties.

Exposure to third parties is monitored as part of the credit control process. The maximum exposure to credit risk is presented by the carrying amount of each financial asset in the statement of financial position. The Authority is not exposed to concentration of credit risk due to its wide SMME customer base across Botswana.



**NOTES TO THE FINANCIAL STATEMENTS** [Continued]

for the year ended 31 March 2017

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**14. Financial instruments** [continued]**Credit risk** [continued]

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana. Banks in Botswana are not rated but the banks concerned are subsidiaries of major South African and international registered institutions and are regulated by Bank of Botswana.

The Authority establishes an allowance for impairment which represents its estimate of incurred losses in respect of receivables. This allowance is estimated through a detailed specific balance analysis of balances receivable at the reporting date exceeding agreed upon payment terms. These balances include trade receivables handed over to lawyers, known slow payers and disputed amounts.

Financial assets subject to credit risk is analysed as follows:

	2017	2016
Trade receivables	26 308	111 594
Other receivables	1 307 786	2 053 434
Cash and cash equivalents	38 944 985	33 629 988
	<u>40 279 079</u>	<u>35 795 016</u>

All trade receivables are due from customers within Botswana. The ageing of trade receivables at the reporting date is analysed as follows:

	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	10 831	-	90 489	-
Past due 61- 90 days	9 430	-	21 105	-
Past due more than 90 days	2 195 687	(2 189 640)	2 080 112	(2 080 112)
	<u>2 215 948</u>	<u>(2 189 640)</u>	<u>2 191 706</u>	<u>(2 080 112)</u>

The movement in impairment accrual in respect of trade receivables is analysed as follows:

Balance at beginning of year	2 080 112	2 290 049
Bad debts written off	-	(162 920)
Movement included in surplus or deficit	109 528	(47 017)
Balance at end of year	<u>2 189 640</u>	<u>2 080 112</u>

## NOTES TO THE FINANCIAL STATEMENTS [Continued]

for the year ended 31 March 2017

In Pula

### 14. Financial instruments [continued]

#### Liquidity risk

The Authority is exposed to daily operational payments and payment of supplier balances. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Authority sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash-flows due in less than 6 months
<b>2017</b>		
Trade and other payables	7 362 949	7 362 949
Bank overdraft	312 653	312 653
	<u>7 675 602</u>	<u>7 675 602</u>
<b>2016</b>		
Trade and other payables	32 887 095	32 887 095
Bank overdraft	852 335	852 335
	<u>33 739 430</u>	<u>33 739 430</u>

#### Interest rate risk

Fluctuations in interest rates impact on the value of short-term cash investments, giving rise to interest rate risk. Other than ensuring optimum money market rates for deposits, the Authority does not make use of financial instruments to manage this risk. Due to the short-term nature of the Authority's fixed interest investments, the risk is not significant.

Financial instruments that are sensitive to interest rate risk are summarised as follows:

	Annual interest rates			
	2017	2016	2017	2016
Investments	2.6% - 3.15%	2.6% - 4%	32 689 346	25 319 611
Call accounts	0.3%	1%	5 789 060	7 654 557
			<u>38 478 406</u>	<u>32 974 168</u>

With average interest rates applicable as disclosed above, an increase of 50 basis points in interest rates during the reporting period would have increased the Authority's operating surplus/decreased the Authority's operating deficit as follows:

Investments	163 447	126 598
Call accounts	28 945	38 273
Net increase in operating surplus/decrease in operating deficit	<u>192 392</u>	<u>164 871</u>

A 50% basis point decrease in interest rates during the reporting period would have had the equal but opposite effect on the reported surplus/deficit to the amounts disclosed above, on the basis that all other variables remain constant.

**NOTES TO THE FINANCIAL STATEMENTS** [Continued]

for the year ended 31 March 2017

In Pula

**15. Categorisation of assets and liabilities**

Financial instruments measured at fair value are categorised in three levels by valuation method. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using:

- quoted market prices in active markets for similar instruments;
- quoted prices for identical or similar instruments in markets that are considered less than active; or
- other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

The Authority had no financial instruments measured at fair value through profit or loss on hand at the current or previous reporting date.

	Financial assets and liabilities			Current/ non-current distinction		
	Carrying values	Loans and receivables	Financial assets/ liabilities at amortised cost	Other non-financial assets and liabilities	Current assets and liabilities	Non-current assets and liabilities
<b>2017</b>						
<b>Assets</b>						
Property, plant and equipment	87 673 161	-	-	87 673 161	-	87 673 161
Trade and other receivables	5 845 946	1 334 094	-	4 511 852	5 845 946	-
Cash and cash equivalents	38 962 705	38 944 985	-	17 720	38 962 705	-
	<u>132 481 812</u>	<u>40 279 079</u>	<u>-</u>	<u>92 202 733</u>	<u>44 808 651</u>	<u>87 673 161</u>
<b>Liabilities</b>						
Capital grants	80 819 132	-	-	80 819 132	5 490 055	75 329 077
Trade and other payables	27 122 476	-	7 362 949	19 759 527	27 122 476	-
Deferred revenue grants	23 085 017	-	-	23 085 017	23 085 017	-
Bank overdraft	312 653	-	312 653	-	312 653	-
	<u>131 339 278</u>	<u>-</u>	<u>7 675 602</u>	<u>123 663 676</u>	<u>56 010 201</u>	<u>75 329 077</u>



## NOTES TO THE FINANCIAL STATEMENTS [Continued]

for the year ended 31 March 2017

In Pula

### 15. Categorisation of assets and liabilities [continued]

	Financial assets and liabilities			Current/ non-current distinction		
	Carrying values	Loans and receivables	Financial assets/ liabilities at amortised cost	Other non-financial assets and liabilities	Current assets and liabilities	Non-current assets and liabilities
<b>2016</b>						
<b>Assets</b>						
Property, plant and equipment	82 858 221	-	-	82 858 221	-	82 858 221
Intangible assets	14 770 492	-	-	14 770 492	-	14 770 492
Trade and other receivables	6 278 901	2 165 028	-	4 113 873	6 278 901	-
Cash and cash equivalents	33 645 670	33 629 988	-	15 682	33 645 670	-
	<u>137 553 284</u>	<u>35 795 016</u>	<u>-</u>	<u>101 758 268</u>	<u>39 924 571</u>	<u>97 628 713</u>
<b>Liabilities</b>						
Capital grants	86 309 187	-	-	86 309 187	3 927 570	82 381 617
Trade and other payables	49 871 192	-	32 887 095	16 984 097	49 871 192	-
Deferred revenue grants	7 822 840	-	-	7 822 840	7 822 840	-
Bank overdraft	852 335	-	852 335	-	852 335	-
	<u>144 855 554</u>	<u>-</u>	<u>33 739 430</u>	<u>111 116 124</u>	<u>62 473 937</u>	<u>82 381 617</u>

**NOTES TO THE FINANCIAL STATEMENTS** [Continued]

for the year ended 31 March 2017

*In Pula***16. Changes in estimates**

The Authority revised the cost of its intangible assets and related amortisation as a result of a reduction in licence fees billed in the prior year. The impact of this change in estimate has been applied prospectively in line with IAS 8 – *Accounting policies, Changes in accounting estimates and errors*. The effect of this change in estimate on the Authority's surplus or deficit and financial position is summarised as follows:

*Effect on statement of financial position*

	<b>Cost before change in estimate</b>	<b>Change in estimate</b>	<b>Cost after change in estimate</b>
Intangible asset	33 505 691	(15 646 716)	17 858 975

	<b>Accumulated amortisation before changes in estimate</b>	<b>Change in estimate</b>	<b>Cost after change in estimate</b>
Intangible asset	18 735 199	(876 224)	17 858 975

	<b>Net book value before change in estimate</b>	<b>Change in estimate</b>	<b>Net book value after change in estimate</b>
Intangible asset	14 770 492	(14 770 492)	-

*Effect on statement of surplus or deficit and other comprehensive income*

	<b>Surplus before change in esti- mate</b>	<b>Change in estimate</b>	<b>Surplus after change in esti- mate</b>
Impact on amortisation charge	7 568 580	876 224	8 444 804

## DETAILED INCOME STATEMENT

for the year ended 31 March 2017

In Pula

	2017	2016
Government subvention	139 910 140	147 708 000
Amortisation of capital grants	5 490 055	3 927 570
Amortisation of revenue grants	5 980 522	2 638 176
<b>Other operating income</b>		
Profit on disposal of motor vehicles	110 280	678 981
Rental income	962 290	685 973
Sundry income	1 212 748	1 310 598
Telephone recoveries	545 078	572 900
Tender fees	24 675	25 050
Training and resource centre income	624 898	2 847 188
	<b>3 479 969</b>	<b>6 120 690</b>
<b>Operating expenses</b>		
Advertisement	(300 522)	(719 090)
Amortisation of intangible assets	876 224	(4 923 497)
Annual license fee	(607 867)	(4 793 271)
Auditors' remuneration	(320 000)	(433 916)
Bank charges	(153 017)	(158 194)
Board sitting allowance	(179 769)	(67 180)
Board meeting expenses	(28 737)	(62 947)
Business travel, accommodation and allowances	(1 592 502)	(3 475 020)
Computer expenses	(15 396)	(5 415 818)
Consultancy fees	(653 073)	(2 510 945)
Courier and postage	(163 696)	(247 094)
Depreciation of property, plant and equipment	(5 450 562)	(5 882 122)
Doubtful debts (charge)/ reversal	(109 528)	47 017
Donations	-	(103 568)
Glen Valley consumables	(1 180 029)	(1 877 578)
Insurance	(2 189 428)	(2 431 383)
Legal fees	(1 070 288)	(310 119)
Motor vehicle expenses	(1 150 393)	(1 452 847)
Office expenses	(1 152 485)	(1 275 234)
Operating lease rentals	(11 092 880)	(11 697 920)
Project expenses- Leather Park	(4 348 037)	(1 997 793)
Project expenses- Rapid Incubator	(1 632 539)	(593 354)
Promotion and publicity	(661 700)	(1 885 791)
Remuneration paid to senior management	(7 970 500)	(7 964 351)
Repairs and maintenance	(2 084 882)	(3 326 566)
<b>Total carried forward</b>	<b>(43 231 606)</b>	<b>(63 558 581)</b>



**DETAILED INCOME STATEMENT** [Continued]

for the year ended 31 March 2017

*In Pula***Operating expenses**

	2017	2016
<b>Total brought forward</b>	<b>(43 231 606)</b>	<b>(63 558 581)</b>
Research costs	(80 416)	(228 426)
Security expenses	(2 558 612)	(2 619 784)
Seminars, retreat and conference costs	(705 141)	(987 550)
SMME conference and fair - current year	(282 853)	(412 219)
Staff costs	(91 087 478)	(89 936 735)
Staff training and recruitment	(53 763)	(1 351 288)
Staff welfare	(739 799)	(1 594 396)
Stakeholder management	(123 570)	(351 531)
Stationery and printing	(2 045 381)	(1 686 003)
Subscriptions	(166 181)	(178 919)
Telephone, mobile and fax	(4 404 091)	(5 196 747)
Training and mentoring costs	(2 445 674)	(3 453 432)
	<b>(147 924 565)</b>	<b>(171 555 611)</b>
<b>Operating surplus/(deficit)</b>	<b>6 936 121</b>	<b>(11 161 175)</b>

This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 68 to 69.

## LEA CORPORATE INFORMATION

### HEAD OFFICE

2nd Floor  
Block A  
Lot 50676  
Fairgrounds Office Park  
Private Bag 191  
Gaborone  
Botswana  
Tel: (267) 3644000  
Fax: (267) 3644001  
Toll-free No. 0800 155 155  
Email: botsalea@lea.co.bw

### BRANCHES

#### FRANCISTOWN

Daukome House  
Plot 16138  
Central Business District  
Private Bag F358  
Francistown  
Botswana  
Tel: (267) 2413847  
Fax: (267) 2416242

#### GABORONE

Haile Selassie Road Lot 17949  
Private Bag 0321  
Gaborone  
Botswana  
Tel: (267) 3957856  
Fax: (267) 3957858

#### GHANZI

White City  
Plot 682  
Private Bag 001  
Ghanzi  
Botswana  
Tel: (267) 6597161  
Fax: (267) 6597174

#### KANYE

Tribal Lot 1274  
Mahube Ward  
Private Bag 48  
Kanye  
Botswana  
Tel: (267) 5403093  
Fax: (267) 5403094

#### KASANE

Hunters Africa Complex  
Plot 2208  
Unit 14  
Private Bag K3  
Kasane  
Botswana  
Tel: (267) 6250432  
Fax: (267) 6250448

#### MASUNGA

Along main road to Masunga  
Primary Hospital  
Next to CTO Filling Station  
Private Bag 006  
Masunga  
Botswana  
Tel: (267) 2489803  
Fax: (267) 2489807

#### MAUN

New Mall near Airport  
Plot 105  
Private Bag 64  
Maun  
Botswana  
Tel: (267) 6863146  
Fax: (267) 6863166

#### MOCHUDI

Behind Engen Filling Station  
Lot 982  
Private Bag 0069  
Mochudi  
Botswana  
Tel: (267) 5777668  
Fax: (267) 5777688

#### MOLEPOLOLE

Plot 313  
Private Bag  
Molepolole  
Botswana  
Tel: (267) 5921006  
Fax: (267) 5921011

#### RAMOTSWA

Goora Dimpe Ward  
Plot 2142  
Private Bag 0012  
Ramotswa  
Botswana  
Tel: (267) 5391075  
Fax: (267) 5391078

#### SELIBE-PHIKWE

North Road opposite  
Bosele Hotel  
Plot 6585  
Private Bag 0069  
Selebi Phikwe  
Botswana  
Tel: (267) 2613160  
Fax: (267) 2603165/6

#### SEROWE

Corner Orapa Road  
Plot 2200  
Private Bag 40  
Serowe  
Botswana  
Tel: (267) 4632071  
Fax: (267) 4632074

#### TSABONG

Old IFS Building  
Behind New Magistrate Court  
Private Bag 0016  
Tsabong  
Botswana  
Tel: (267) 6540196  
Fax: (267) 6540198

### INCUBATORS

#### FRANCISTOWN INDUSTRIAL BUSINESS INCUBATOR

Light Industrial Area  
Plot 1607  
Private Bag F22  
Francistown  
Botswana  
Tel: (267) 2418036  
Fax: (267) 2418027

#### GABORONE LEATHER INDUSTRIES INCUBATOR

Old BEDU Premises,  
Macheng Way  
Plot 4799/4800  
Private Bag 0301  
Gaborone  
Botswana  
Tel: (267) 3105330  
Fax: (267) 3105334

#### GLEN VALLEY HORTICULTURE INCUBATOR

Plot 63069  
Extension 67  
Private Bag X035, Village  
Gaborone  
Botswana  
Tel: (267) 3186309  
Fax: (267) 3186437

#### PILANE MULTI PURPOSE INCUBATOR

Pilane Old Industrial Site  
Private Bag 18  
Mochudi  
Botswana  
Tel: (267) 5729146/ 5729177  
Fax: (267) 5729178

#### KUTLA INCUBATION CENTRE

Plot 1215 Nkuruma Road  
P.O. Box 201544  
Gaborone  
Tel: (267) 3186810

### EXTERNAL AUDITORS

#### KPMG, CHARTERED ACCOUNTANTS AUDIT

Plot 67977, Off Tlokweng Road,  
Fairgrounds Office Park  
PO Box 1519, Gaborone,  
Botswana  
Tel: (267) 391 2400  
Fax: (267) 397 5281











LOCAL ENTERPRISE AUTHORITY

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Toll Free Number: 0800 155 155

Website: [www.lea.co.bw](http://www.lea.co.bw)

Email: [botsalea@lea.co.bw](mailto:botsalea@lea.co.bw)



Local Enterprise Authority