LEA

LOCAL ENTERPRISE AUTHORITY

ANNUAL REPORT | 2018/2019

Where to find us.

www.lea.co.bw

The Local Enterprise Authority (LEA) was established by the Small Business Act No.16 of 2008 as amended, 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.

2018-19

Annual Report

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Glossary of Terms

BAC	Botswana Accountancy College
BCP	Business Continuity Plan
BITC	Botswana Investment and Trade Centre
BIUST	Botswana International University of Science and Technology
BOPEU	Botswana Public Employees Union
BTC	Board Tender Committee
BTC	Botswana Telecommunications Corporation
BUAN	Botswana University of Agriculture and Natural Resources
BURS	Botswana Unified Revenue Service
BQA	Botswana Qualifications Authority
CEDA	Citizen Entrepreneurial Development Agency
CETP	Common Effluent Treatment Plant
CIPA	Companies and Intellectual Property Authority
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRM	Customer Relationship Management
DNI	Department of National Internship
EAW	Entrepreneurship Awareness Workshop
EIA	Environmental Impact Assessment
EDT	Entrepreneurship Development Training
ERM	Enterprise-wide Risk Management
EWP	Employee Wellness Programme

Glossary of Terms

FAC	Finance and Audit Committee
FIBI	Francistown Industrial Business Incubator
HRC	Human Resource Committee
JNCC	Joint Negotiations and Consultative Committee
LEA	Local Enterprise Authority
LII	Leather Industries Incubator
MITI	Ministry of Investment, Trade and Industry
MoU	Memorandum of Understanding
MYESCD	Ministry of Youth Empowerment, Sport and Culture Development
QMS	Quality Management System
RICS	Royal Institute of Chartered Surveyors
SAITEX	Southern African International Trade Exhibition
SBA	Small Business Act
SHE	Safety, Health and Environment
SMME	Small, Medium and Micro Enterprises
TAC	Technical Advisory Committee
UB	University of Botswana
YDF	Youth Development Fund

LEA 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 SMMEs 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 organizations;

(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 organizations, the Private sector and the Government.

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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; and
- Promotion of business linkages between small and large enterprises.

LEA has an extensive country-wide footprint of 13 branch offices located in Gaborone, Francistown, Ghanzi, Kanye, Kasane, Masunga, Maun, Pilane, Molepolole, Ramotswa, Selibe-Phikwe, Serowe and Tsabong. In addition, the Authority operates five incubation centres that provide shared facilities, subsidized business operational space, business and technical skills acquisition and technology support to accelerate growth of the incubated enterprises.

The LEA Incubators:

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

OUR VISION

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

OUR MISSION

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

Our Value Proposition

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

LEA 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.

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

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

Entrepreneurial
We build an entrepreneurial culture and unearth business opportunities for the SMMEs.

LEA Board of Directors

Mr. Mokgethi Frederik Magapa
Board Chairman

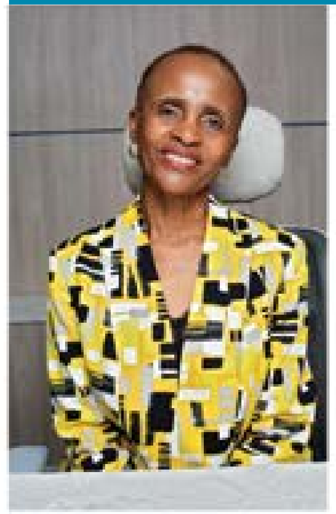
Mr. Mokgethi Frederik Magapa holds a Bachelor of Science, a Post-Graduate Certificate in ICT Policy and Regulation (Wits University) and Management Development Programme (USB).

He is currently the Managing Director of G4S Botswana (Pty) Ltd, a Botswana Stock Exchange (BSE) listed company.

Mr Magapa is a seasoned business executive with both experience and expertise for business optimization and transformation having overseen the transformation of several companies in the last 10 years.

His work experience spans many industries ranging from standardization and quality assurance, telecommunications, manufacturing, retail, and express logistics.

Previously, he was the Managing Director of DHL Botswana as well as being Country Managing Director at Samsung Electronics. Mr Magapa was also the Project Lead in the setting up and launching of be MOBILE (BTCL’s mobile wing) and went on to hold various executive management positions and ultimately becoming the General Manager.



Dr. Lucky Wakantse Odirile I Member

Dr. Lucky Wakantse Odirile currently works as a Director at the University of Botswana in the Department of Careers and Counselling Centre. She has vast experience as a lecturer, counsellor, consultant, supervisor, administrator, trainer, mentor and coach where she demonstrated her skills and ability in various and esteemed institutions both locally and internationally. Dr. Odirile has a doctorate in Philosophy majoring in Counsellor Education, and has also served in the University of Botswana Council. She is the recipient of three international awards: George E. Hill, Glidden Professorship and Five Roses Trend Setter. She is the Patron of KDM Global.

Ms. Bonolo Champane I Member

Ms. Bonolo Champane is a General Manager at Bidfood, Bid Corp (RSA) Group with 15 years of service. She holds a Master of Business and Administration majoring in finance, a Bachelor of Science in Business Administration majoring in finance and a Bachelor of Communication Sciences from Saint Louis University, St. Louis, Missouri, United States of America (John Cook School of Business), Association of Chartered Certified Accountants (ACCA, U.K) Ms. Champane is a fellow member of the Association of Chartered Certified Accountants (FCCA, U.K), member of the Botswana Institute of Chartered Accountants and Bidvest Academy Charter.

Mrs. Keganele Malikongwa I Member

Mrs. Keganele Malikongwa currently works as Deputy Permanent Secretary in the Ministry of Investment, Trade and Industry. She graduated with a Bachelor of Economics and Accounting and also holds a Masters in Economics. She previously held the position of Director of Department of Industrial Affairs in the same Ministry. Mrs. Malikongwa worked for the then Ministry of Finance and Development Planning before joining the Ministry of Investment, Trade and Industry in 2012.

Mrs. Sethebe Henrietta Manake I Member

Mrs. Sethebe Henrietta Manake is an entrepreneur with interests in various industries; amongst others being real estate, technology, entrepreneurship development and ecommerce. Her professional qualifications include being a Chartered Surveyor Property Investment and Finance, Property Asset Manager, Registered Valuer and Registered Property Manager. She holds a Masters in Strategic Management, Sectional Title Specialist Realtor Certificate and a Bachelor of Science in Property Studies. Mrs. Manake has held positions as Chief Executive Officer at Letlole La Rona Limited and various Managerial posts at Stanlib Investment Management Services, Khumo Property and Asset Management as well as Property and Asset Management Limited.

Dr. Haniso Motlhabane I Member

Dr. Haniso 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 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.

LEA Board

The LEA Board of Directors are responsible for providing oversight and strategic direction in accordance with the Small Business Act (SBA) and the Board Charter. The Board also guides and monitors the delivery of the LEA Strategic Plans adopted periodically, and ensures good governance practices and compliance to the statutory requirements and organizational policies. The Board Members are appointed by the Ministry of Investment, Trade and Industry on a three-year tenure, and are eligible for re-appointment.

In accordance with the Board Charter, the LEA Board meet on a quarterly basis for substantive Board and Sub-Committee meetings, with special meetings held as per the business needs of the organization. At any meeting of the Board a quorum is constituted by the presence of not less than half of the number of members appointed.

Ethical Culture

The LEA Board observes a code of ethics and enforces the application of good ethical behavior both during the conduct of Board deliberations and in its dealings with the Authority's stakeholders. The LEA code of conduct is part of the Human Resources Policy Manual, which is shared with Staff during induction and on-boarding sessions. All employees are given the HR policy manual when they join the organization.

Performance and Value Creation

The LEA Board has the oversight responsibility over the business and affairs of the Authority, and it is tasked with monitoring the strategic functioning of the Authority and setting the direction for good governance in implementing change and allocation of resources within the Authority. Through this, the Authority has a five-year Strategy in place which is reviewed on a yearly basis. The current strategic plan is for the period 2018 to 2023.

Adequate and Effective Control

The Board through the effective management of financial resources ensures the Authority's going concern and protection of all its assets. The Board further ensures the existence and implementation of sound and effective internal control systems, as well as risk management to ensure a true and fair presentation of the Authority's affairs in the financial statements through the preparation and publication of the annual Audited Financial Statements. Other control systems employed by the Authority include business continuity plans and the identification and monitoring of key risk areas affecting the Authority.

Trust, Good Reputation and Legitimacy

LEA has a business continuity plan to ensure checks and balances on all processes. The Board further provides oversight on actions taken by Management to ensure that processes and procedures laid down are followed. The Authority appoints independent External Auditors who are rotated every three years or at other intervals as may be agreed to by the Board.

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LEA Board Sub-Committees

Technical Advisory Committee

The Technical Advisory Committee (TAC) assists the Board in fulfilling its oversight responsibility over LEA functions of promoting and facilitating entrepreneurship and SMME development in Botswana. The committee further monitors projects that form part of the LEA mandate, and deals with matters relating to:

- 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.

Human Resources Committee

The Human Resources Committee (HRC) considers strategic human resource management aspects such as development and implementation of human resource policies, as well as attraction and retention of personnel. HRC also makes recommendations on the appointment and dismissal of executive management and ensures that the organization keeps abreast of developments in the labour market.

Finance and Audit Committee

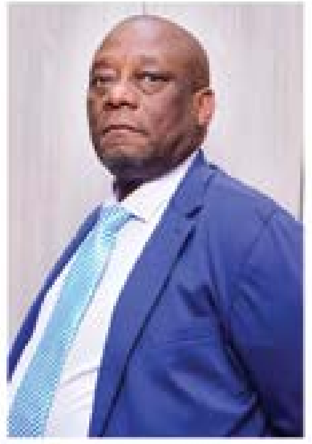
The Finance and Audit Committee (FAC) advises the Board on financial related matters, including the Audited Financial Statements; Investment management activities; strategic financial plans and the annual operating budgets. Additionally, FAC ensures that internal audit processes and control systems are in place to promote transparency and accountability in all LEA operations. The committee also oversees the risk management process which include the identification and evaluation of significant exposure to risks.

Board Tender Committee

The purpose of the Board Tender Committee (BTC) is to assist the Board by assuming an oversight role in consideration of all the Local Enterprise Authority procurement affairs, including tendering procedures and processes.

Executive Management

Dr. Racious M. Moatshe
Chief Executive Officer



Mr. Lesitamang Paya
Leather Park Coordinator

Ms. Boikhutso Kgomanyane
Director, Corporate & Stakeholder Communications

Mr. Nathaniel Matsheka
Director, Corporate Services

Mr. Monyadiwa Masilo
Director, Information Technology

Mr. Fana M. Kelebogile
Director, Innovation & Sector Support (Acting)

Ms. Dynah Solani
Director, Research & Development

Mr. Oreneile Padipadi
Senior Manager - North

Board Chairman's Statement

On behalf of the Local Enterprise Authority (LEA) Board of Directors, it is with great honour and privilege, that I present the Annual Report for the 2018-19 financial year. The report highlights the LEA operations and activities carried out in pursuit of delivering on its mandate, as well as the Audited Financial Statements (AFS) in compliance with Section of the Small Business Act No.16 of 2008. As the Board of Directors (BoD), we are proud to publicise 25 enterprises who have over the past years received a wide range of business development and support services from LEA. They have achieved notable growth and have graduated from LEA in March 2019 and now operate as competitive and sustainable businesses.

The 2018 Global Entrepreneurship Index score for Botswana was 34.98, a slight increase from 33.10 and 34.58 attained in 2016 and 2017 respectively. Although ranked second in Africa after Tunisia, and emerging position 52 out of 137 surveyed countries, Botswana has a long way to go in terms of technology and innovation adoption within the business landscape. The Global Entrepreneurship Development Institute has indicated that the GEI top ranking economies are those that are at the innovation driven stage of development, a clear indication that innovation is a critical component of enterprise growth and sustainability.

On the other hand, the World Bank Doing Business Report indicates Botswana's declining ranking as evidenced by position 71 in 2017, 81 in 2018 and 86 in 2019. It speaks to toughening conditions for business enterprise and calls upon Government to step up the level of support and initiatives that would create a more supportive environment. Botswana like most emerging economies has SMMEs as the pinnacle and future of it's growth. It therefore goes without saying that increased investment and support through policy and regulations for SMMEs is a non-negotiable objective in which the Government must single-mindedly act on.

The Local Enterprise Authority therefore strives to remove all the impediments that partly or fully inhibit entrepreneurship and SMME sector development in Botswana. We have therefore fashioned our 2018-2023 strategy as a transformation agenda that deliberately targets and embraces among others technology and innovation as an imperative in our service offering, and fully foster its adoption among the SMMEs for the advancement of their businesses.

As LEA, our firm believe is that enterprise development is the engine of growth for an emerging economy like Botswana. Therefore, with targeted need based business support interventions, entrepreneurs have the potential to start businesses, grow them and further expand to create jobs, meet national demand of goods and services, reduce imports, diversify the economy, create wealth and export.

Corporate Governance

The Board of Directors of the Local Enterprise Authority undertook their responsibilities during the year, under the tutelage of the Board Charter and the shareholder compact. The Board continuously performs the oversight role, provides guidance to the Management Team, and offers advisory in the execution of the organisational mandate, strategy, projects and initiatives. The Board and the Sub-Committees consist of professionals with a wide range of expertise across the business spectrum, and prudently provides direction on matters relating to LEA core operations, human capital, procurement, compliance, finance and risk management as well as resource planning.

Corporate Strategy and performance

The 2018-19 financial year marked the first year of implementation of LEA 2018-23 strategy, which aims at re-positioning the institution and strategically aligning to the Government national agenda of economic growth, diversification and wealth creation. The organisation therefore transformed its operations to implement impact driven business interventions, enhance service offering and most importantly to create innovative, competitive and sustainable SMMEs that will significantly contribute in the overall economy.

In order to support this strategic intent, the Authority during the year embarked on an exercise to re-align and structure the organisation for efficient delivery of the new business model and strategy. The exercise covered all facets of the business such as the human capital, support services, stakeholder management, operations, projects, resource management; and ensured that they were transformed such that resources are skewed towards the delivery of the core business. The Local Enterprise Authority continues to implement the Leather Industry Park on behalf of the Government of Botswana. A high-level project governance structure will be set-up, consisting of various stakeholders. These will include among others investment and funding institutions critical in the successful delivery of the leather park. The Board of Directors took a decision to review the business case (that was already over 5 years old) to re-calibrate for relevance and commercial viability.

Acknowledgements

On behalf of the LEA Board, Management and Staff, I would like to take this opportunity to recognise and thank the Government of Botswana through the Ministry of Investment, Trade and Industry (MITI) for the unwavering support of LEA endeavours. We are also grateful to all stakeholder institutions with whom we complement each other's mandates and collectively promote entrepreneurship and develop the SMME sector. Our effort will continue into the future as we nurture robust entrepreneurs with the business acumen to build enterprises worthy of growing our economy.

I would like to thank my fellow colleagues in the Board of Directors for their dedication and tireless support of the Management Team. Their oversight and direction provided to the Management is of great value. Lastly, I would like to thank the Management Team and Staff for their patience and resolve in seeing through the Business Model Review (BMR) exercise which resulted in the organisation separating with some employees. We thank you for the resilience and now call upon you to focus on the second phase of transformation, which is the robust support of the SMMEs in Botswana. I have great confidence that as a team you will help the Board of Directors deliver on the 2018-2023 strategy and most importantly develop a world class SMME sector.

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Mr. Mokgethi Frederik Magapa
BOARD CHAIRMAN

Chief Executive Officer's Statement

The Local Enterprise Authority 2018-2023 transformative strategy is aligned and supports the national agenda priorities such as the Vision 2036, the National Development Plan (NDP) 11 and the National Entrepreneurship Policy (NEP). The Small Business Act (SBA) that created the organisation stipulates the mandate of LEA as the promotion of entrepreneurship and development of the Small, Medium and Micro Enterprises in Botswana. LEA therefore continued during the 2018-19 financial year to create a progressive business landscape for SMMES to do business, as well as playing a pivotal role in the cohesive coordination and implementation of all initiatives intended to grow the SMME sector in Botswana.

Our focus as a centre of excellence for entrepreneurship and SMME development is to improve the entrepreneurship ecosystem and coordinate all stakeholders towards provision of critical inputs that include infrastructure, resources including financial, sustainable markets, knowledge and skill; and unlock the SMME sector potential, thus driving high impact and real economic growth.

BUSINESS RESULTS HIGHLIGHTS

Significant milestones were achieved during the 2018-19 financial year, including among others considerable cost saving measures on office rentals that saw more funds re-directed to offer targeted interventions that directly benefited the entrepreneurs. Furthermore, the review of the LEA business model and the transformation of the organisation to align to the industry needs re-positioned LEA into a relevant and impact driven organisation.

CAPACITY DEVELOPMENT

In order to build capacity of the SMMEs, LEA service provision covers a wide range of services intended to close the identified gaps within the entrepreneurs, and mould them into sound business promoters. As a result the SMMEs Capacity Development Plans are largely guided by their needs. During this review period, 2260 SMMEs were trained on various business management and technical components intended to upskill and equip them with the necessary tools and knowledge to move their businesses forward. In addition, LEA continued to offer the business development and advisory interventions such as assisting the SMMEs to develop bankable business plans. As at March 2019, a total of 1254 business proposals were developed and submitted to various funding institutions. We continue to engage with both the Government and private lending institutions to devise ways through which access to funding could be enhanced.

On-site business coaching and mentorship have proven to be very successful and capable interventions to further grow and expand the SMME sector. Monitoring and visitations of clients in our portfolio therefore continued country-wide to closely monitor and offer business advisory as needed. Entrepreneurship Awareness Workshops were conducted in several Senior Secondary School and Technical Colleges to introduce and heighten enterprise development as an alternative to formal employment. These workshops were attended by 13914 participants during 2018-19.

Facilitation of market access is an imperative in the growth cycle of all enterprises, hence the organisation during the year continued to engage in exposure platforms that gave SMMEs opportunity to market their products and services, to network and connect with various buyers of various commodities. These included monthly flea markets throughout our branch network, as well as highly subsidized participation at trade fairs. These have resulted in positive response as the linkages created have resulted in our clients supplying the desired markets. Throughout the branch and incubator network, SMMEs were assisted with products and service quality improvements to attain the required competitive edge, and were also capacitated to produce to the satisfaction of the market requirements.

In furtherance of high level stakeholder engagement and to unlock markets access challenges faced by local producers, the Authority during the year conducted the Botswana SMME Pitso and Fair in Gaborone and Francistown. The fora enabled dialogue amongst stakeholders and collective mapping of ways through which the SMMEs could be advanced. This interactive platform also provided feedback from various organisations including buyers of products and services within Government and the private sector to enhance supply opportunities. The regional Pitso and Fairs will continue in other regions during the 2019-20 financial year.

The LEA 2018-23 strategy recognises technology and innovation as critical aspects to improve service delivery and enhance the SMMEs competitiveness and sustainability. Technology audits are therefore conducted on LEA assisted enterprises and remedies put in place to improve their business operations and processes. Internally, the Customer Relationship Management (CRM) system is being finalised, which will serve as a platform for interaction, source of information, and enhanced service provision to the SMMEs. Still during this review period, research studies were conducted specifically to support and validate the leather industry park project. Surveys were therefore conducted on the slaughter and hide collection facilities; exotic skins availability as well as markets for leather and leather products in Botswana.

Incubation Programme

The business incubation programme has proven to be the best platform through which entrepreneurs are nurtured on site and their businesses accelerated, scaled and positioned to compete locally and globally. Work is therefore in progress to develop more incubation centres and factory shells that will provide operational space for SMMEs country-wide, in addition to the five that LEA is currently operating. These will be specialised to consider various region's comparative advantage, as well as targeted to build industries, meet the national demand and the export market going forward. Currently, LEA operates five incubation centres namely the Francistown Industrial Business Incubator; Pilane Multi-Purpose Incubator; Glen Valley Horticulture Incubator, Gaborone Leather Industries Incubator and Kutla Incubation Centre in Gaborone.

Our aspiration as the Local Enterprise Authority is to empower enterprises to start, grow, expand and graduate as entities ready to compete globally and become referral points for the up-coming entrepreneurs. During 2018-19, 25 SMMEs successfully completed the capacity development plans and graduated. LEA will continue to support these enterprises to ensure their survival and continual growth.

Leather Industry Park

The Local Enterprise Authority continues to implement the Leather Industry Park on behalf of the Government of Botswana. During the 2018-19 review period, several components were realised including the approval of the project detailed designs and issuance of a construction permit. Various stakeholders were also engaged and consultations conducted around the leather value chain such as animal husbandry, slaughter facilities, hides and skins collection, review of legislation, training and markets. Furthermore, a review of the leather park business case was conducted, for re-assurance of the project profitability following its conceptualisation in 2014 and the market dynamics that have ensued within the industry.

Stakeholder engagement and management remains key to all our operations as we note the equally critical contribution of other institutions and the role they play in the promotion of entrepreneurship and SMME sector development in Botswana. We have therefore forged alliances with various organisations in order to complement our mandate, including capacity building and skills development institutions and financiers among others. Implementation of the collaboration plans and targeted initiatives will continue into the 2019-20 financial year.

Acknowledgements

On behalf of the Local Enterprise Authority Board of Directors, Management and Staff, we acknowledge the Ministry of Investment, Trade and Industry for the support accorded to all our initiatives. Great appreciation also goes to the LEA Board for the resilient support and commitment to LEA. We also recognise the contribution of the LEA human capital during the year, who are central to the delivery of the core business and mandate of the organisation, for their dedicated service provision to the citizenry of our great nation. Together as the LEA family, we are inspired by the SMMEs that we serve country-wide. We remain focused on the overall objective, that is to create a pool of innovative, competitive and sustainable SMMEs that will significantly contribute to wealth creation, employment, grow the economy and export products and services.

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Dr. Racious M. Moatshe

CHIEF EXECUTIVE OFFICER

Board Composition for the 2018-19 Financial Year

Member	Board Meetings	Technical Advisory Committee	Human Resources Committee	Finance and Audit Committee	Board Tender Committee
Mr.M. F. Magapa	*				
Ms. B. Champane	*	*		*	*
Dr. L.W. Odirile	*		*	*	
Dr. H. Motlhabane	*	*	*		*
Ms. S. Manake	*			*	*
Ms. P. Motswagole		*	*	*	*
Ms. K. Malikongwa	*	*			
Mr B.M. Motsu	*	*		*	*
Ms M Morakaladi	*	*	*		

*Members who sit in the Committees are marked *.*

Ms M. Morakaladi resigned in May 2019
Mr B. Motsu resigned in July 2019

CORPORATE GOVERNANCE STATEMENT

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

Risk management

In order to appropriately identify, manage and mitigate (potential) risks experienced during the delivery of the mandate, support mechanisms were established as follows:

Enterprise-wide risk management (ERM) framework

The organization has implemented an ERM framework from which a comprehensive risk register is generated from the Corporate Objectives, Divisional Score Cards and key projects such as the Leather Industry Park. Risk Registers focus on effective risk management by identifying risks which could have a negative impact on the achievement of corporate objectives, as well as identification of control measures necessary for the mitigation of these risks. Regular reviews are conducted to assess and update risk registers on the implementation of mitigating measures and emerging risks.

Safety, health and environment (SHE) structures

LEA maintains SHE structures throughout the branch network and incubators. The objective of SHE structures is to continuously improve on safety, health and environmental concerns within the workplace. Activities conducted during the 2018-19 financial year include SHE inspections, fire drills and training of SHE Representatives, first aiders and fire marshals across all LEA stations.

This financial year has seen the Authority relocating five (5) branches namely Maun, Kasane, Mochudi, Francistown and Serowe, where SHE inspections were conducted to ensure compliance.

Business Continuity plan (BCP)

LEA implements Business Continuity Plans (BCP) to ensure minimal disruption to critical business processes and operation in the event of a disaster. During the period under review, detailed continuity plans were implemented for the following functions: Information Technology, Human Resources, Finance, and Shared services/Procurement. The divisional BCPs are continually reviewed to ensure their relevance and adequacy.

Internal Audit

The LEA internal audit function assesses the design and effectiveness of the internal risk management and control systems and provides assurance to both EXCO and the LEA Board. Moreover, Internal Audit conducts adhoc financial and operational audits and special investigations. The Finance and Audit Committee reviews and recommends for Board approval the Risk-Based Internal Audit Plan. Internal Audit reports are submitted to the Finance and Audit Committee on a quarterly basis on the outcomes of reviews performed.

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 applicable laws and regulations have been complied with. The LEA Board of Directors have approved the corporate policies on which the control environment is based, as well as the policies relating to risk management and corporate governance. The financial reporting process incorporates internal control principles pursuant to the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission).

Fraud policy and whistle-blowing hotline

LEA does not tolerate any wrongful act or impropriety (including without limitation to fraud, theft, dishonest acts, corruption, intimidation, discrimination, harassment) by its employees, service providers or associates. To facilitate reporting with the assurance that reports made will be managed objectively, 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. Staff members are also sensitized on the Fraud Policy and the Whistle-blowing Service from time to time.

DEVELOPMENT OF INNOVATIVE, COMPETITIVE AND SUSTAINABLE SMMEs

Business Planning and Credit Facilitation

LEA continues to offer business development and support services to the SMMEs country-wide, with 1254 entrepreneurs assisted to develop and submit business proposals at various financing institutions such as CEDA, commercial banks and the YDF. These consisted of 1226 and 28 business plans for the Micro enterprises and SMEs respectively. During the year, 452 plans were approved valued at P67m.

Number of New SMMEs

LEA continuously recruits SMMEs into its portfolio, to nurture them and offer targeted business interventions that will enable them to start and grow innovative, competitive and sustainable enterprises. For the 2018-19 financial year, LEA registered 391 new SMMEs across the branch network. Recruitment and client mobilization continues through the outreach and mobile stops initiatives.

Graduation

During the 2018-19 financial year, LEA graduated a total of 25 enterprises who had completed all their Capacity Development Plans and their businesses now able to compete and survive in the market place. These enterprises are periodically monitored and where there are specific needs, LEA addresses their needs to sustain their survival.

LEA Resource Centres

In order to enhance access to information and enable entrepreneurs to conduct research to benefit their businesses, LEA branches and incubators operate resource centres, accessible to the users at subsidized rates. The LEA Resource Centres provide business related information to SMMEs through provision of material such as books, magazines, newspapers and computers with internet. The Resource centres also house copiers, printers, scanners, binding and fax machines which SMMEs use at subsidized rates.

Training and Skills Development

A total of 2260 SMMEs were trained on various business management modules during the year, including Business Planning, Sales and Marketing and Record Keeping and Entrepreneurship Development Training (EDT). Out of the 2260, 1013 entrepreneurs received advanced training relevant to their line of business. These included Meat processing training, Agrochemicals management, Intellectual Property, branding, packaging and labelling, clustering, tradeshow readiness and Quality Management System standard (BOS ISO 9001:2015).

Coaching and Mentoring
LEA continues to coach and provide mentoring services to SMMEs on various aspects in order to enhance their growth and competitiveness. During 2018-19, nine enterprises received mentoring on Branding, Packaging and Labelling, Meat processing, Quality & Productivity gap analysis and QMS BOS ISO 9001:2015 certification. In addition, 123 SMMEs were coached on trade fair readiness, in preparation to exhibit at various trade fairs.

Cluster Development
Sensitization of SMMEs on the benefits of the clustering concept continued during the year. They were coached on how they can form and operate sustainable clusters to further grow their businesses. A total of 226 entrepreneurs attended clustering awareness workshops in Parakarungu and Kasane.

Creation of linkages to markets
During the 2018-19 financial year, 64 SMMEs exhibited their products and services at trade fairs. LEA facilitates clients' participation at both local and international platforms, for them to showcase and market, as well as engage with potential buyers to discuss market requirements and supply opportunities. In addition, trade fairs as exposure platforms enable SMMEs to benchmark from best industry practice, connect with production input suppliers and forge networks that will benefit their businesses going forward.

Trade fairs attended include the Business Botswana Northern Trade Fair, Ghanzi Agricultural Show, Botswana Youth Expo, Global Expo, National Agricultural Show, Women's Expo, Botswana Travel and Tourism Expo, Consumer Fair and the Southern African International Trade Exhibition (SAITEX). Furthermore, LEA hosted monthly flea markets across all branches, to accord SMMEs frequent opportunity to market and sell their goods to the markets in their localities. Buyer Seminars were also conducted in Molepolole, Gaborone, Mochudi, Ramotswa and Kanye to enhance buyer-seller interaction, and enable feedback on procurement procedures to be met.

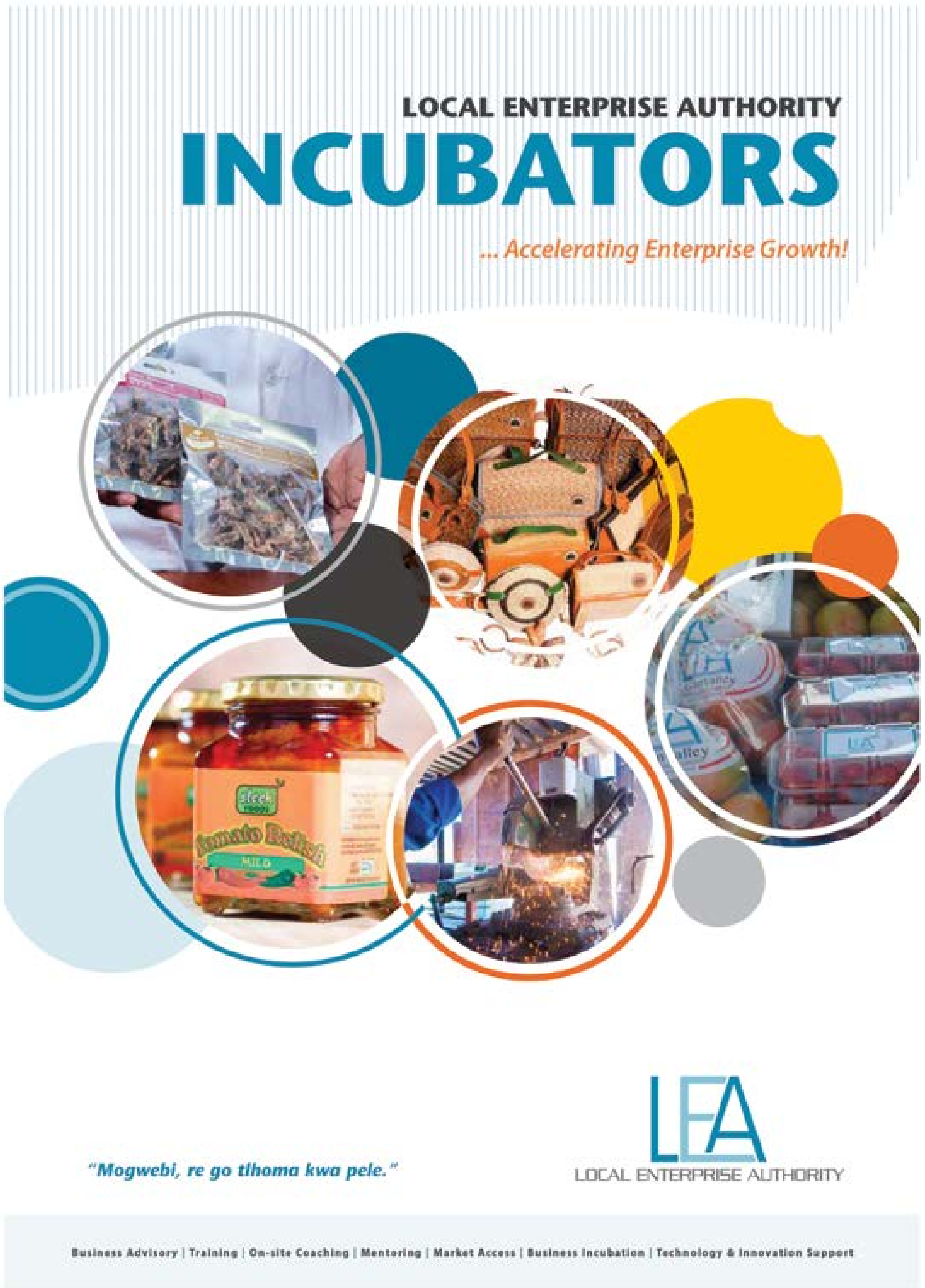
Botswana SMME Pitso and Fair
The SMME Pitso and Fair is a key stakeholder engagement initiative in the LEA calendar, where stakeholders in the SMME development space meet and deliberate on topical issues that concern the SMME sector development. The platform also avails an opportunity for SMMEs to share success stories as well as challenges that impede their growth. Furthermore, the exhibition is held alongside the Pitso and seminars, to afford SMMEs a platform to meet buyers and showcase their products and services. The exhibition aspect unlocks market access challenges and intensifies interaction between the producers and the buyers, with the view to strengthen supply opportunities. Two events were held in Gaborone and Francistown during the 2018-19 financial year under the theme "Empowering SMMEs in Pursuit of Business Development and Economic Diversification.''

In addition, the seminars were held as part of the event, for various stakeholder organisations to disseminate information necessary for the SMMEs to make informed decisions as they operate businesses. The interactive sessions were facilitated by speakers from funding institutions, procuring entities, Government Departments and other capacity building institutions.

PROMOTION OF CITIZEN ENTREPRENEURSHIP

Outreach programme
LEA conducts outreach activities especially focussed on areas where LEA does not have physical offices/branches, to widely communicate and share the LEA mandate and services country-wide. Outreach also enhances recruitment of SMMEs into the LEA fold, for them to be nurtured and guided on starting and growing their businesses. Outreach platforms include mobile stops and Kgotla meetings, as well as trade fairs, district shows and career fairs.

Entrepreneurship Awareness Workshops (EAW)
In an effort to inculcate a culture of entrepreneurship amongst Batswana, LEA conducted the Entrepreneurship Awareness Workshops to learners at Senior Secondary Schools, Brigades, technical colleges and tertiary institutions, attended by 13914 participants. These workshops are meant to create awareness, promote and highlight business development as an alternative to formal employment, for the youth to consider starting their own businesses.



BUSINESS INCUBATION PROGRAMME

Glen Valley Horticulture Incubator

The Glen Valley Horticulture Incubator drives the LEA mandate through 'Training with Production' to grow and nurture both aspiring and existing horticulture entrepreneurs. The objective of the programme is to equip trainees with practical and theoretical skills to enable them to manage sustainable horticulture projects post incubation.

The intervention entails the execution of a standard training programme (curriculum) on horticulture for all trainees over a period of nine (9) months, with emphasis on practical exposure on crop husbandry. Trainees were also exposed to different horticulture technologies such as greenhouses, tunnels and net houses, hydroponic growing system and open field cultivation so that they can make informed decisions on the choice of production methods to use once they graduate from the incubator and produce at their own farms.

The main crop used for training is tomato (table tomatoes and cherry). For the year 2018-19, sweet pepper, cauliflower, lettuce and broccoli were also introduced with pepper under greenhouse production while the other three crops were under open field cultivation. As part of the incubation programme, trainees were also drilled on marketing of produce, negotiation with various markets such as wholesalers, retail stores and the hospitality outlets. During 2018-19 financial year, a total of 46 individuals underwent training and graduated as horticulture farmers ready to start and operate their own farms.

Gaborone Leather Industries Incubator

Gaborone Leather Industries Incubator is a specialized incubator responsible for nurturing businesses in leather products manufacturing. The incubator provides both practical, technical and business management training to upscale the incubatees and support them to produce market acceptable leather products. During the period under review, a total of eight enterprises were incubated, manufacturing a variety of leather goods such as footwear, bags, belts, protective clothing, leather inspired accessories and upholstery services.

The incubated SMMEs continue to supply various buyers including Government, the mining sector and the general public.

Francistown Industrial Business Incubator

The Incubator focuses on light manufacturing industry and services, with 12 enterprises incubated specializing in various projects such as water purification and bottling, printing and advertising, textile, metal fabrication, embroidery, cleaning chemicals and manufacturing of egg incubators.

In addition to the daily business advisory and mentorship support to the incubated businesses, the incubator started offering training in January 2019, and a total of 17 entrepreneurs have since been trained on detergents manufacturing and bread making and confectionary. Enterprises incubated at FIBI market and sell their products and services to various markets in and around Francistown including the retail market, Government and the general public.

Pilane Multi-Purpose Incubator

Pilane Incubator operates as a multi-purpose incubation programme focusing on food processing and light industrial manufacturing, with LEA providing the technical and business management interventions to enhance and accelerate growth of the incubated enterprises. During the financial year 2018-19 the incubator had 10 business enterprises producing among others foodstuffs such as processed beef products, packed relish, beverages; cleaning chemicals manufacturing, carpentry, products engraving and blinds installations. Clients continue to supply different markets including the retail sector, fast food outlets and the general public.

Kutla Incubator Centre

Kutla Incubation programme focuses on the provision of practical, technical and business management training to the entrepreneurs, for them to gain production skills to be able to run and operate successful enterprises.

The centre houses 12 plants including among others bread and confectionary making, detergent making, toilet roll and wire nails manufacturing. During the 2018-19 financial year, 56 people were trained, including the Botswana Society for the Deaf (BSD) in Ramotswa who were trained on bread and confectionary. LEA also assisted the BSD by setting up a bakery project to be operated by the society.

Leather Industry Park

Work is in progress to prepare for the construction of the Leather Park in Lobatse. The leather park will consist of Common Effluent Treatment Plant (CETP), Sewage Treatment Plant, Tanneries and Leather products manufacturing.

The following milestones were realised during the 2018-19 financial year:

a. The leather park detailed designs were approved by the Lobatse Town Council and a building permit issued.

b. Stakeholder consultation and engagement with relevant institutions including the hides and skins collectors, farmers associations, slaughter facilities, artisan tanners, leather products manufacturers, and relevant Government Institutions and private sectors.

c. Review of supporting legislation specifically the Cattle Branding Act and the Hides and Skins Export Act.

d. Due to uncertainty in the leather industry value chain such livestock numbers, availability and quality of hides and skins and the recruitment of tannery operators, the review of the business case for the leather industry park was conducted and a business plan developed to assess the project commercial viability.

e. The institutions of higher learning, Human Resource Development Council and Botswana Qualification Authority are being mobilised to start programmes that will offer training courses relevant to the leather industry park.

PARTNERSHIPS

The Local Enterprise Authority continues to forge strategic collaborations with various institutions that have a role in entrepreneurship and SMME development in Botswana, and therefore have the capability to complement the LEA mandate and enhance our service delivery to the SMME sector. Engagements were initiated with the following organizations during the 2018-19 financial year:

Botswana International University of Science and Technology (BIUST)

LEA and BIUST signed a Memorandum of Understanding (MOU) to collaborate on entrepreneurship and enterprise development; provision of incubation services to the University graduates' innovative prototypes and ignite fresh ideas for commercialization. The two institutions will also work together on resource sharing such as research expertise and laboratories, as well as ensuring that technologies and innovations from BIUST benefit and enhance the efficiency of the SMMEs.

Ministry of Youth Eempowerment, Sport and Culture Development (MYSC)

The main objective of this collaboration is to enhance the delivery of both the LEA and MYSC mandates, and ultimately create a pool of competitive and sustainable Small, Medium and Micro Enterprises (SMMEs) that will significantly contribute towards the diversification of the economy, and meaningfully impact local communities through creation of employment, quality of livelihoods and import substitution.

Through this partnership LEA will provide capacity building to youth officers and youth entrepreneurs who have been funded through the Youth Development Fund (YDF) to enable them to start and grow their businesses. Furthermore, LEA will offer business management and mentoring services to YDF beneficiaries, in order to enhance their efficiency, competitiveness and sustainability, as well as provide relevant business advisory and training needed to scale-up youth owned businesses in Botswana.

International Trade Centre (ITC)

LEA and ITC have partnered through a Memorandum of Agreement (MoA) to conduct the Small and Medium Enterprises Competitiveness Survey (SMECS). The research will among others identify the status and needs of the SMME sector in Botswana. Furthermore, the survey findings and recommendations will assist in informing decisions, policy formulation and development of targeted and relevant interventions to grow the SMME.

Data collection exercise for this study commenced in January 2019, and it will form a baseline for future research work between LEA and ITC. The study results and report will be disseminated to stakeholders for collective implementation.

Efforts to fine-tune collaboration plans with more institutions to further intensify service delivery, promote entrepreneurship and develop the SMME sector are ongoing, with more partnerships expected to be finalized during the 2019-20 financial year. These include private financial institutions, training centers and other Government Departments.

The LEA Quality Management System (QMS)

LEA has documented, implemented and maintains a Quality Management System (QMS) in accordance with the requirements of the ISO 9001:2008 standard. The management system has been certified by Botswana Bureau of Standards. Work is in progress for the organization's transition to the ISO 9001:2015 to ensure continued certification. As customer satisfaction remain pivotal to all our stakeholders, LEA continues to deliver quality services to its customers across its Channel Network and Incubation centres, using the ISO Standard as a framework for organizational excellence.

Information Technology

During the 2018-2019 financial year LEA rolled-out high speed WI-FI to all Branches and incubators. This capability will allow LEA to conveniently extend internet services to clients at all its resource centers, through token-based guest internet access authentication. This service will further aid LEA to provide online services to its clientele, and enable continuous business research by both the entrepreneurs and Staff.

In preparation for the implementation of the Customer Relationship Management (CRM) System which is part of the Sage Technology that LEA adopted in the previous financial year, all business processes have been reviewed with a view to optimize and align them to the new business model. The CRM system will ensure an interactive and coordinated service offering and monitoring of the SMMEs, thus enhancing service delivery. The system will also be aligned to have the capability to position LEA as a centre of excellence and information access point. Full implementation of CRM will effect during the 2019-20 financial year.

RESEARCH AND DEVELOPMENT

LEA has the responsibility to carry out research and continually avail information to guide decision making, as well as identify business opportunities that could be exploited by the SMMEs. During the period under review, LEA conducted three research studies to update the Leather Value Chain Analysis study of 2012 namely the Assessment of Slaughter and Hide Collection facilities; the Market Survey for Leather and Leather Products and Assessment of Exotic Skins Availability in Botswana.

Assessment of Slaughter and Hide Collection facilities in Botswana

The primary objective of this survey was to establish the status of the slaughter facilities and slaughter slabs in Botswana, by examining their operations, infrastructure and equipment in relation to handling hides and skins. The study provided information for the Leather Industry park and the private sector activities in hides and skins collection, raw to finished leather tanneries, and the manufacturing of different leather products.

Through this survey, it was established that there are a total of 112 slaughter facilities in the country, consisting of 105 slaughter slabs and 17 abattoirs. The abattoirs include the three Botswana Meat Commission branches in Lobatse, Francistown and Maun, with a combined annual slaughter capacity of 252 000 cattle. The Central District, which has a total of 43 slaughter facilities, had a total cattle and small stock population of 718 465 and 595 997 respectively, while Kweneng District had 16 slaughter facilities. The South East District had a cattle population of 5515 and only six slaughter facilities.

An assessment of the equipment showed that most of the abattoirs have the necessary and relevant infrastructure and equipment, while some slaughter slabs did not have the necessary equipment. The flaying machines, which are used to minimize incisions on the hides and skins are largely found in abattoirs except for one slaughter slab, which suggests that abattoirs are more likely to produce good quality hides and skins than slaughter slabs. The Meat Inspection Training Centre in Lobatse was found to be the only institution providing skills improvement and development in the slaughter industry.

The study has also revealed that majority of collected hides and skins are exported, due to lack of market locally, and that there are currently 17 licensed hides and skins exporters in Botswana. The MOADFS statistics shows that hides exports were 183,599 in 2015-16 valued at P2, 937, 584, and increased to 281,193 valued P3, 491,088 in 2016-17, before declining to 195,172 at a value of P3, 122,752, in 2017-18. Most small stock is slaughtered at home for ceremonial purposes, as a result, there were no skins exported. Most of the skins are therefore thrown away and where collected, they are vegetable tanned by artisans and used for small scale manufacturing of leather goods. The establishment of the leather park and creation of local market is expected to address the inefficiencies and stimulate the slaughter and hide collection industry.

Market Survey for Leather and Leather Products

Following the study on the situational analysis of the leather industry in Botswana conducted in 2010, it was established that the Botswana misses out on the opportunities from the leather sector industry. The market survey for leather and leather products was therefore conducted in 2018 primarily to provide current market information for leather and leather products in the country between 2015 and 2017.

The export value of raw hides and skins reduced from BWP90.62 million in 2015 to BWP18.76 million in 2017. On the contrary, the import value remained relatively low between BWP0.049 million and BWP0.294 million during the said period. A surplus of BWP18.46 million was recorded in 2017. On the other hand, trade statistics for the leather goods showed that the country relied on imports to meet its demand for leather and leather products as significant amount of trade deficits was recorded during the 2015-2017 period. The import bill ranged between BWP183.29 million and BWP186.21 million. In contrast, the export value remained at BWP5.22 million. The main contributors to both the import and export bills were footwear and apparels. The establishment of the leather park will domesticate some of the current market for leather goods and products, thus creating business opportunities and employment.

Assessment of Exotic Skins Availability in Botswana

The objective of the study was to assess the availability of exotic skins in Botswana to support the Leather Park Project, with focus on the crocodile skins as the leather park project is planned to have a dedicated tannery line for exotic skins. The focus on the crocodile skins at the exclusion of other game skins is that they can be processed in the same line with bovine hides and small stock skins. The study established that there are only four licensed and operational crocodile farmers in Botswana. The current crocodile population stands at 19449 live animals from all the four farms, including the breeding stock, hatchlings and growers. The farms have a total of 579 breeders combined (70 males and 509 females), as well as 10869 hatchlings and 8001 growers. Owing to the lack of local exotic skins tannery in Botswana, all the output of the crocodile skins are exported to South Africa.

Crocodiles are listed in the CITES category II and their trade is controlled through a quota system to guard against over exploitation. The current Botswana quota is set at 3000 and the local farmers have exported 2900 skins in 2017 and 2700 skins in 2016. In South Africa, the Botswana skins are graded and high grades are exported to the lucrative European markets while low value skins are processed and used to produce exotic leather goods. There is potential for the industry to grow and the creation of a local market for skins has the potential to trigger the process of upward revision of the quota to diversify the local leather industry.

HUMAN RESOURCES

Performance Management System

The organization subscribes to the Balanced Scorecard principle and the Performance Management System (PMS) in assessing employees on the four balanced scorecard perspectives namely customer, internal processes, Financial and learning & growth. Furthermore, LEA has adopted four core values to promote high performance culture. These are Transformational Leadership, Self-driven, Entrepreneurial and Partnership. Employees sign the Individual Performance Contracts that are aligned to departmental plans, and are periodically assessed to check compliance to the organizational objectives.

Staff Employee Wellness Programme (EWP)

LEA recognizes and holds in high regard Staff welfare as a critical component towards high productivity and attainment of the organizational objectives. As a result, the organization avails the psycho-social and counselling support to all employees and their family members. The wellness programme also covers other critical aspects such as individual and group counselling services, health seminars and motivational talks. These seminars and motivational talks are held at all LEA stations country-wide, at the employees' convenience.

In addition to the psycho-social counselling support, employees were offered financial management seminars at all LEA stations. These covered debt management, budgeting skills and investment advisory, to enable Staff to make informed decisions regarding management of financial resources.

Furthermore, LEA joined other MITI Parastatals for the annual sporting tournament in Selibe-Phikwe. The tournament is a wellness activity where participants engage in various sporting codes that promote good health. The games also build relationships amongst employees and enable networking of the staff outside the usual formal setup. Other participating Parastatals were the Citizen Entrepreneurial Development Agency (CEDA); Competition Authority (CA), Botswana Bureau of Standards (BOBS); Botswana Investment and Trade Centre (BITC); Botswana Trade Commission (BOTC), Special Economic Zones Authority (SEZA), Botswana Development Corporation (BDC); Companies and Intellectual Property Authority (CIPA); Selibe-Phikwe Economic Diversification Unit (SPEDU) and Gambling Authority (GA).

Employee Relations

The Authority continues to engage with Botswana Public Employees Union (BOPEU) through the Joint Negotiations and Consultative Committee (JNCC) to consult on matters affecting the LEA Staff Welfare, in line with the Collective Labour Agreement.

Government Internship Programme

LEA continues to support the Government Internship Programme and offer university graduates the relevant work experience needed to prepare them for employment. During the 2018-19 financial year, 17 intern officers were attached in various LEA Departments namely Information Technology, Corporate Services, Corporate and Stakeholder Communications.

2018/2019

GRADUATED ENTERPRISES

ZILA INVESTMENTS (PTY) LTD

Director	Rebonyeng Hick
Location	Francistown
Products	Detergents (Dishwashing Liquid, Liquid Floor, Floor Wax, Pine Gel, Machine Washing Powder, Window Cleaner etc.), Air freshners, Fabric Softener
Number of employees	31
LEA INTERVENTIONS	• Training on Sales and Marketing, Customer care, Occupational Health & Safety, Entrepreneurship Development Training • Quality Management System • Business Plan Development • Branding, Packaging & Labelling • Trade Fairs Participation • Business Advisory & Mentoring

ZILA INVESTMENTS (PTY) LTD

Director	Catherine Ntuane
Location	Nata
Service	Guest House (Accommodation and Camping)
Number of employees	7
LEA INTERVENTIONS	• Training on Entrepreneurship Development, Records Keeping, Customer Care, Trade Show Readiness • Business Coaching & Monitoring • Business Plan Development • Branding, Packaging and Labelling • Trade Fairs Participation

BEL REA GUEST HOUSE

Director	Idah Mathambo
Location	Francistown
Products	Textile (Protective Clothing, Corporate wear and School uniforms)
Number of employees	106
LEA INTERVENTIONS	• Training on Sales and Marketing, Customer care, Occupational Health & Safety, Entrepreneurship Development Training • Quality Management System • Business Plan Development • Branding, Packaging & Labelling • Trade Fairs Participation • Business Advisory & Mentoring

PJ FURNITURES

Director	Piniel Jackson
Location	Francistown
Products	Woodwork (Wardrobes, Fitted kitchens and wardrobes, Headboards, chest of drawers, baby cots, Dining room sets.)
Number of employees	7
LEA INTERVENTIONS	• Training on Business Planning, Sales & Marketing, Records Keeping, Quality and Productivity, Process Improvement • Branding, Packaging and labelling • Procurement Workshops and Trade Fair Participation • Business Advisory and Monitoring

LEA ANNUAL REPORT 2018/2019

MIRACLE STEEL PRODUCTS

Director	Dimpho Madema
Location	Francistown
Product/Service	Window Frames, Door Frames, Palisade Fence
Number of employees	7
LEA INTERVENTIONS	• Business Coaching on Technology Sourcing, Record Keeping, Human Resource Management • Business Plan Development • Technology Gap Analysis • Trainings on Intellectual Property Rights and Patenting, Trade Show Readiness and Participation, Branding, Packaging and Labelling • Business Mentoring • Incubation Space

EIGHTY EIGHT PRINT & GRAPHICS (PTY) LTD

Director	Hussein Topias
Location	Francistown
Service	Printing and Graphics
Number of employees	3
LEA INTERVENTIONS	• Training on Sales & Marketing, Records Keeping • Intellectual Property Rights and Patenting, Trade Show Readiness and participation, Branding, Packaging and Labelling • Technology Sourcing • EDD & PPADB Registration • Market Linkages • Incubation Space

LEA ANNUAL REPORT 2018/2019

ELITE CHEMICALS (PTY) LTD

Director	Elizabeth Mmusi
Location	Francistown
Products	Cleaning Chemicals
Number of employees	4
LEA INTERVENTIONS	• Trainings on Entrepreneurship Development, Records Keeping, Occupational Health and Safety, Product Testing and Costing • Tendering Process Caoching • Branding, Packaging and Labelling • Trade Fairs Participation and Market Access • Incubation Space

BOA NOITE (PTY) LTD

Director	Lady Chilisa
Location	Francistown
Products	Bedding and General Textile
Number of employees	2
LEA INTERVENTIONS	• Trainings on Records Keeping • Intellectual Property Rights and Patenting, Trade Show Readiness and Participation, Branding, Packaging and Labelling • EDD & PPADB Registration • Market Linkages • Incubation Space

DIVINE MORULA

Director	Matildah Mpai
Location	Gabane
Products	•Morula Drink, Jam and Snacks • Morula Body Products (Lip balm, Body lotion, Shea Butter, Morula Oil)
Number of employees	2
LEA INTERVENTIONS	• Trainings on Records Keeping, Entrepreneurship Development • Quality and Productivity Gap Analysis • Trading Licence and Manufacturing Licence Acquisition • Intellectual Property Rights and Patenting, Trade Show Readiness and participation, Branding, Packaging and Labelling • Food Safety Awareness • Labour Employee Relations • Market Access • Incubation Space

TOM (PTY) LTD

Director	Mathudi Maribe
Location	Mochudi
Products	Milling
Number of employees	33
LEA INTERVENTIONS	• QMS Documentation, BOS 9001:2015 Certification facilitation • Quality and Productivity Gap Analysis • Trainings on Intellectual Property Rights and Patenting, Trade Show Readiness and Participation, Branding, Packaging and Labelling • HR mentorship • Market Access • Enterprise Monitoring

XISHEE LEATHERS

Director	Kgawe Xishee
Location	Qangwa
Products	Leather goods (aprons, toolkit bags, belts and other leather accessories)
Number of employees	1
LEA INTERVENTIONS	• Training on Sales & Marketing, Records Keeping, Entrpreneurship Development • Intellectual Property Rights and Patenting, Trade Show Readiness and participation, Branding, Packaging and Labelling • Designing, Cutting, Stitching, Finishing of Leather Products •Market Access • Incubation Space

OKEMP5

Director	Masego Billy, Kefilwe Gaonosi, Mpho lesole, Otlarongwa Moahi
Location	Gaborone
Products	Leather goods (aprons, toolkit bags, belts and other leather accessories)
Number of employees	5
LEA INTERVENTIONS	• Product Costing • Trainings on Intellectual Property Rights and Patenting, Trade Show Readiness, Product Costing, Branding, Packaging and Labelling • Designing, Cutting, Stitching, Finishing of Leather Products • Trade Fairs Participation and Market Access • Incubation Space

HAPPY CHAPPY (PTY) LTD T/A BAHURUTSHE CULTURAL LODGE

Director	Mmankhudu Glickman & Victoria Massey
Location	Mmankgodi
Products	Traditional Accommodation Facilities, Catering Services, Cultural activities
Number of employees	17
LEA INTERVENTIONS	• Training on Sales & Marketing, Records Keeping • Intellectual Property Rights and Patenting, Trade Show Readiness and participation, Branding, Packaging and Labelling Awareness • Food Handling, Customer Care • Business Coaching and Monitoring • Market Linkages

MARTHA'S KITCHEN

Director	Martha Ramaditse
Location	Kasane
Service	Catering Services
Number of employees	8
LEA INTERVENTIONS	• Training on Sales & Marketing, Records Keeping • Intellectual Property Rights and Patenting, Trade Show Readiness and Participation, Branding, Packaging and Labelling • Food Handling and Hygiene • Taxation • Branding, Packaging & Labelling implementation • Company Policy and Human Resource Policy • Market Access • Enterprise Monitoring

PUKU SAFARIS

Director	Patrick Manangena
Location	Kasane
Service	Game Drive, Boat Cruize, Transfers, Day Trips to VicFalls, Camping
Number of employees	13
LEA INTERVENTIONS	• Training on Sales & Marketing • Intellectual Property Rights and Patenting, Trade Show Readiness and participation, Branding, Packaging and Labelling Awareness • On Site Coaching • Market Access

DREAMS SAFARIS

Director	Setaung Mist Setaung
Location	Kasane
Service	Game Drive, Boat Cruise, Transfers, Day Trips to VicFalls, Camping
Number of employees	5
LEA INTERVENTIONS	• Trainings on Sales & Marketing, Records Keeping, Customer Care Entrepreneurship Development, Intellectual Property Rights and Patenting, Trade Show Readiness and Participation, Branding, Packaging and Labelling Awareness • Trade Fairs Participation • Market Linkages

LEA ANNUAL REPORT 2018/2019

CITY INVESTMENTS

Director	Chilangalo Letlakala
Location	Letlhakane
Service	Shopping Complex
Number of employees	13
LEA INTERVENTIONS	• Training on Intellectual Property Rights and Patenting, Trade Show Readiness and participation, Branding, Packaging and Labelling Awareness • Business Coaching • Entrpreneurship Development

CONTAGIOUS CONSTRUCTION

Director	Mishingo Dabutha
Location	Letlhakane
Service	Multi Residential
Number of employees	2
LEA INTERVENTIONS	• Training on Intellectual Property Rights and Patenting, Trade Show Readiness and Participation, Branding, Packaging and Labelling Awareness • Enterprise Monitoring • Entrepreneurship Development

THE CORNER GUEST HOUSE

Director	Bontle Gaboipone
Location	Serowe
Service	Guest House, Catering Services
Number of employees	8
LEA INTERVENTIONS	• Training on, Records Keeping, Entrepreneurship Development • Intellectual Property Rights and Patenting, Trade Show Readiness and participation, Branding, Packaging and Labelling • Customer Care, Food Handling and Hygiene • Pregrading assessment and grading of the facility • Market Linkages • Business Coaching

SEROWE PRINTERS

Director	Gomolemo Galebolae
Location	Serowe
Service	Printing Services
Number of employees	19
LEA INTERVENTIONS	• Technology Audit • Quality and Productivity Gap Analysis • Training on Sales and Marketing, Records Keeping, Enterprenership Development • Intellectual Property Rights and Patenting, Trade Show Readiness and Participation, Branding, Packaging and Labelling Awareness • Procurement Seminars • Market Linkages • Business Monitoring

EZWELENI (PTY) LTD

Director	Patience Mashabane
Location	Gaborone, Maruapula
Products	Textiles
Number of employees	20
LEA INTERVENTIONS	• Market Linkage Facilitation • Development of Human Resource Policy • QMS training, BOBS ISO 9001:2008 and 9001:2015, Quality and Productivity Awareness • Trainings on Intellectual Property Rights and Patenting, Trade Show Readiness and participation, Branding, Packaging and Labelling Awareness • Enterprise Monitoring

MO-ONO (PTY) LTD T/A CAMELS INN

Director	Barudi Mosimaneotsile
Location	Mmopane
Service	Accommodation, Conference Facilities and Catering Services
Number of employees	5
LEA INTERVENTIONS	• Trade fair and Market Linkages • Customer Care Training, House Keeping, Record Keeping • Technology Gap Analysis • Enterprise Coaching • Food Safety annd Hygiene

LEA ANNUAL REPORT 2018/2019

TUP YARONA DAIRIES (PTY) LTD

Director	Elliot Phindela
Location	Molepolole
Products	Dairy
Number of employees	5
LEA INTERVENTIONS	• Business Plan Development • Customer Care, Business Planning Training • Technology Gap Analysis • Dairy Production Training • Enterprise Monitoring

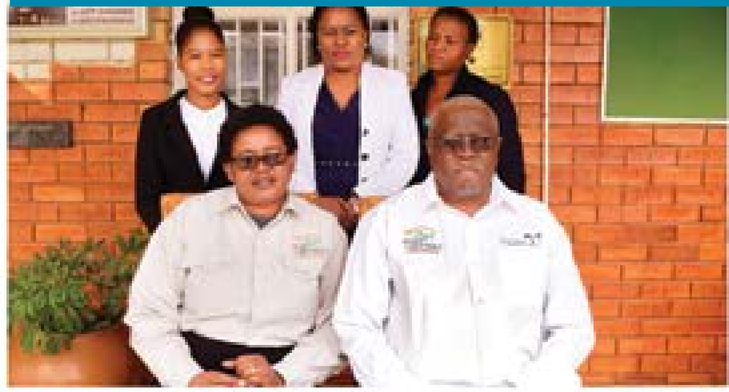
KOMMS HOLDINGS (PTY) LTD

Director	David Sethato
Location	Gaborone
Service	Forensic Consultancy
Number of employees	7
LEA INTERVENTIONS	• Training on Customer Care, Quality, Productivity and Enterpreneurship Development Training • QMS (BOS ISO 9001:2008) • Laboratory Management System Auditing • Branding, Packaging and Labelling • Trade Fair Participation • Business Coaching

LEA ANNUAL REPORT 2018/2019

REGIE'S HOTEL

Director	Reginald Ketshabile
Location	Mmopane
Service	Accommodation and Conference
Number of employees	6
LEA INTERVENTIONS	• Branding, Packaging and Labelling • Customer Care Training • Technology Gap Analysis • Business Advisory • Enterprise Monitoring



AUDITED
FINANCIAL STATEMENTS

BOARD MEMBERS' REPORT
For the year ended 31 March 2019

The Board members are pleased to present their report together with the financial statements of Local Enterprise Authority ("the Authority") for the year ended 31 March 2019.

Nature of business
The Authority carries on the business to promote and facilitate entrepreneurship and enterprise development in Botswana through targeted interventions. 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 results and position are reflected in the financial statements set out on pages 70 to 105. The Authority incurred a deficit of P75 442 079 for the year (2018: deficit for the year of P2 870 695).

Name		Role
Mr Mokgethi Frederick Magapa		Chairman
Dr Haniso Motlhabane		Member
Mr Bright Motsu	Resigned - 01 August 2019	Member
Dr Lucky Odirile		Member
Ms Bonolo Champane		Member
Ms Malebogo Morakaladi	Resigned - 01 June 2019	Member
Ms Henrietta Sethebe Manake		Member
Ms Keganele Malikongwa		Member
Ms Patience Motswagole	Appointed - 01 June 2019	Member
Mr Mokgethi Nyatseng	Appointed - 01 June 2019	Member
Mr Dumi Lopang	Appointed - 01 June 2019	Member
Ms Omphemetse Chimbombi	Appointed - 01 August 2019	Member
Mr Oabile Regoeng	Appointed - 01 November 2018	Member

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

Secretary
Grant Thornton
Acumen Park, Plot 50370 Fairgrounds,
Gaborone

Auditors
KPMG
Plot 67977, Off Tlokweng Road
Fairground Office Park
P O Box 1519
Gaborone

Bankers
Standard Chartered Bank Botswana Limited
First National Bank of Botswana Limited
Barclays Bank of Botswana Limited
Bank Gaborone Botswana Limited
African Banking Corporation of Botswana Limited

Fund Manager
African Alliance Botswana Management Company (Pty) Ltd

BOARD MEMBERS' RESPONSIBILITY STATEMENT
For the year ended 31 March 2019

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 2019, and the statements of surplus or deficit and other comprehensive income, changes in funds and cash flows for the year then ended, summary of significant accounting policies and notes to the financial statements in accordance with International Financial Reporting Standards.

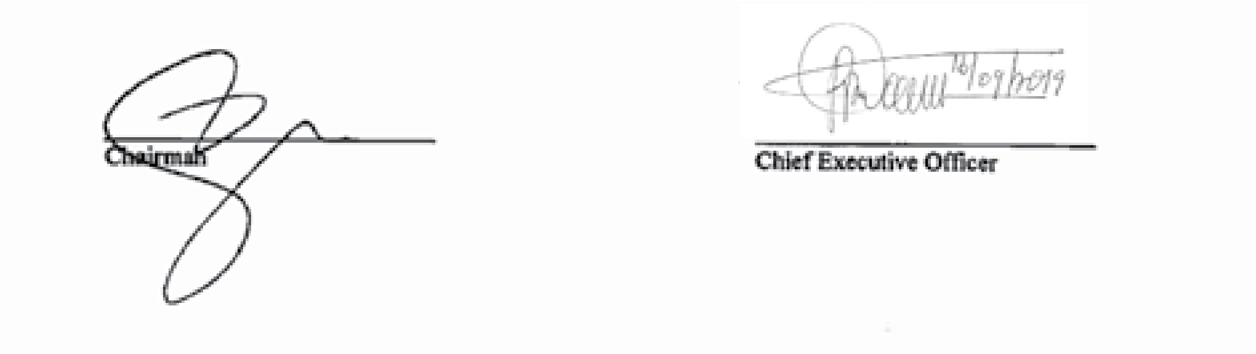
The Board members are also responsible for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system 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 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 members on 16 September 2019 and are signed on their behalf by:



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 Local Enterprise Authority

Opinion

We have audited the financial statements of Local Enterprise Authority ("the Authority") set out on pages 70 to 105 which comprise the statement of financial position at 31 March 2019, the statement of surplus or deficit and other comprehensive income, the statement of changes in funds and the statement cash flows for the year then ended, significant accounting policies and the notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of Local Enterprise Authority at 31 March 2019, and of 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 13 of the financial statements, which indicates that the Authority incurred a net deficit of P75 442 079 during the year ended 31 March 2019 and, as of that date, the Authority's current liabilities exceeded its current assets by P88 614 482 and had an accumulated deficit of P77 183 358. As stated in Note 13, these events or conditions, along with other matters as set forth in Note 13, indicate that a material uncertainty exists that may cast significant doubt on the Authority's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KPMG, a partnership domiciled in Botswana and a member firm of the KPMG network of independent member firms affiliated with KPMG International Coorperative ("KPMG International"), a Swiss entity

Partners: AG Devlin* G Motsamai

*British
VAT Number: P03623901112

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Existence and accuracy of expenses Refer to accounting policy – operating expenses	
Key audit matter	**How the matter was addressed in our audit**
The Local Enterprise Authority's mandate is entrepreneurship and enterprise development in Botswana. The Authority incurs significant annual expenditure in discharging its mandate and relies on Government funding for conducting its business in discharging its mandate. Operating expenses comprise mainly of training, mentoring, research and development project expenses, operating lease rentals and maintenance of various incubators to empower Batswana with entrepreneurship skills. The total expenses incurred during the financial reporting year amounted to P285 118 998. Due to the magnitude of the expenses balance in the financial statements, the volume of expense transactions and the resulting significant work effort by the audit team, the recognition of expenses was considered a key audit matter.	Our procedures included amongst others: • We tested design and operating effectiveness of internal controls over the processing, review, monitoring and authorisation of expenses to assess whether expenses incurred and recognised are in terms of the procurement policy and approved by the appropriate authority levels. • We assessed whether expenses incurred are in terms of the procurement policy by agreeing a sample of expenses to the supporting documentation. Supporting documentation inspected included supplier invoices, evidence of appropriate authorisation and proof of receipt of goods or services. We agreed the details per the supporting documentation to the details of the recorded expense transactions per the general ledger. • We inspected the annual budget approval and monitoring processes to assess whether any variances identified were in line with our expectations and historic trends. • We inspected supplier statements and year end reconciliations on a sample basis in order to determine whether expenses incurred were complete and agreed to supplier documentation.

Other Information
The Board members are responsible for the other information. The other information comprises the Board members' report, the Board members' responsibility statement and the detailed income statement, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information 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 auditor's 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 these 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.

From the matters communicated with the Board members, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kpmg

KPMG
Certified Auditors
Practicing member: Gosego Motsamai (20030026)
Certified Auditor of Public Interest Entity
BAOA Certificate Number CAP 035 2019
Gaborone
3 October 2019

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2019
(In Pula)

	Notes	2019	2018
Government subvention	8	183 802 770	141 681 155
Government grants amortisation	8	18 787 935	13 946 844
Write back of excess accruals carried forward from prior financial year		-	1 342 982
Other operating income		5 238 239	2 698 409
		207 828 944	159 669 390
Operating expenses		(285 118 998)	(163 792 377)
Operating deficit	1	(77 290 054)	(4 122 987)
Finance income	2	1 847 975	1 252 292
Net deficit for the year		(75 442 079)	(2 870 695)
Total comprehensive income for the year		**(75 442 079)**	**(2 870 695)**

STATEMENT OF FINANCIAL POSITION
At 31 March 2019
(In Pula)

	Notes	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	4.1	77 128 712	79 320 283
Intangible assets	4.2	2 346 870	1 393 194
		79 475 582	80 713 477
Current assets			
Trade and other receivables	5	4 126 110	3 944 877
Cash and cash equivalents	7	22 793 846	40 745 094
		26 919 956	44 689 971
Total assets		**106 395 538**	**125 403 448**
FUNDS AND LIABILITIES			
Funds			
Accumulated deficit		(77 183 358)	(1 728 161)
Non-current liabilities			
Deferred capital grants	8	68 044 458	69 472 424
Current liabilities			
Short-term portion of deferred capital grants	8	3 550 660	5 673 354
Trade and other payables	10	98 398 288	23 142 352
Deferred revenue grants	8	13 585 490	28 822 765
Bank overdraft	7	-	20 714
		115 534 438	57 659 185
Total liabilities		183 578 896	127 131 609
Total equity and liabilities		**106 395 538**	**125 403 448**

STATEMENT OF CHANGES IN FUNDS
For the year ended 31 March 2019
(In Pula)

	Accumulated surplus/ (deficit)
Balance at 1 April 2017	1 142 534
Total comprehensive income for the year	(2 870 695)
Balance at 31 March 2018	(1 728 161)
IFRS 9 transitional adjustment	(13 118)
Balance at 1 April 2018	(1 741 279)
Total comprehensive income for the year	(75 442 079)
Balance at 31 March 2019	**(77 183 358)**

LEA ANNUAL REPORT 2018/2019

STATEMENT OF CASH FLOWS
For the year ended 31 March 2019
(In Pula)

	Notes	2019	2018
OPERATING ACTIVITIES			
Operating deficit for the year		(77 290 054)	(4 122 987)
Adjustment for:			
Depreciation	4.1	5 584 352	8 018 903
Amortisation of grants	8	(18 787 935)	(13 946 844)
Impairment of intangible assets	4.2	-	1 722 429
Profit on disposal of property, plant and equipment		(1 472 869)	(66 000)
Operating deficit before changes in working capital		**(91 966 506)**	**(8 394 499)**
Movement in trade and other receivables		(155 652)	1 890 679
Movement in trade and other payables		75 255 936	(3 980 124)
Net cash used in operating activities		**(16 866 222)**	**(10 483 944)**
INVESTING ACTIVITIES			
Fiance income received		1 809 276	1 273 326
Proceeds from disposal of property, plant and equipment		1 609 263	283 500
Acquisition of property, plant and equipment	4.1	(3 529 175)	(1 605 954)
Acquisition of intangible assets	4.2	(953 676)	(1 393 194)
Net cash used in investing activities		**(1 064 312)**	**(1 442 322)**
FINANCING ACTIVITIES			
Government grants received	9	-	14 011 238
Net cash used in financing activities		-	**14 011 238**
Movement in cash and cash equivalents		**(17 930 534)**	**2 074 328**
Cash and cash equivalents at beginning of year	7	40 724 380	38 650 052
Effect of exchange rate changes on cash and cash equivalents		-	(10 644)
Cash and cash equivalents at end of year	**7**	**22 793 846**	**40 724 380**

SIGNIFICANT ACCOUNTING POLICIES
For the year ended 31 March 2019

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 have been prepared in all material aspects, in accordance with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board members on 16 September 2019.

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 surplus or deficit, 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 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 values, 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.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Going concern

Management has made an assessment of the Authority's ability to continue as a going concern and is satisfied that the Authority has the resources to continue in business for the foreseeable future. The Authority is dependent on the Government of Botswana ("Government") for financial and operational support.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. However management acknowledges that, in the event that the Authority does not receive the financial support of its shareholder, a material uncertainty exists which may cast significant doubt about the Authority's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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	Lease period
• 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

Leasehold land is depreciated in line with the lease terms and conditions.

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.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Financial instruments policy applicable before 1 April 2018

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 the 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 of these amounts 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.

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 amount of the loss 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 and interest bearing borrowings.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Financial instruments policy applicable before 1 April 2018 *(continued)*

Financial liabilities *(continued)*
Trade 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.

Financial instruments policy applicable after 1 April 2018

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Authority measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Authority recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets - Classification and subsequent measurement
From 1 April 2018, the Authority has applied IFRS 9 and classifies its financial assets as amortised cost. The classification requirements for debt measured at amortised cost are described below:

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:
(i) the Authority's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Financial instruments policy applicable after 1 April 2018 *(continued)*

Debt instruments (continued)
Based on these factors, the Authority classifies its debt instruments as amortised cost as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at fair value through profit or loss (FVPL), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the simplified expected loss model. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Business model: the business model reflects how the Authority manages the assets in order to generate cash flows. That is, whether the Authority's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Authority in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Authority as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Authority assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Authority considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Authority reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

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.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Financial instruments policy applicable after 1 April 2018 *(continued)*

Impairment of financial assets

Non-derivative financial assets
The Authority recognises loss allowances for expected credit losses on financial assets measured at amortised cost.

Loss allowances for trade receivables without a significant financing component are measured at an amount equal to lifetime expected credit losses. The Authority has elected to measure loss allowances for trade receivables which have a significant financing component at an amount equal to lifetime expected credit losses. Loss allowances for other financial assets measured at amortised cost are measured at an amount equal to 12-month expected credit losses, unless there has been a significant increase in credit risk since initial recognition in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

At each reporting date, the Authority assesses whether financial assets measured at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer,
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Authority on terms that the Authority would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Authority is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Authority in accordance with the contract and the cash flows that the Authority expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Derecognition of financial assets
The Authority derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received, and receivable is recognised in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Financial instruments policy applicable after 1 April 2018 *(continued)*

Derecognition of financial liabilities
The Authority derecognises financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Measurement methods - Amortised cost and effective interest rate
The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Authority revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

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.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and recognised on an accrual basis.

Non-financial assets impairment

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 costs 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.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

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 considered to be short-term in nature and are recognised at the original amounts paid less impairment losses.

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.

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 requirements and are utilised for the operations of the Authority. These grants are recognised in surplus or deficit 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 the required conditions. Subventions relating to specific costs are deferred and recognised in surplus or deficit 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 the 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 Authority (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 employee 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.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Employee benefits *(continued)*

Employees who are not members of approved pension scheme or entitled to gratuities per 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

Revenue is recognized upon transfer of control of promised goods and services to customers in an amount that reflects the consideration the Authority expects to receive in exchange for the services.

Nature of services and timing of revenue recognition
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 and the resources required.

Revenue is recognised over time or at a specific point in time depending on the nature of the performance obligations embedded in the contract. Revenue from services is recognised in the accounting period in which the services are rendered, by reference to performance obligations assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue recognition follows a five step model framework listed below:
Step 1: Identify the contract (s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the Authority satisfies a performance obligation

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.

Operating expenses

Operating expenses primarily represent the costs required to perform the Authority's normal business operations and support the administrative functions. Expenses are recognised as soon as they are incurred by the Authority. Major components of operating expenses include amongst others; staff costs, depreciation, motor vehicle expenses, advertising, business travel, maintenance of various branches and incubators, research and development, accommodation and allowances, training and mentoring costs, operating lease rentals, electricity and water and project expenses (leather park and rapid incubator) projects.

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SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Standards and Interpretations which became effective during the year

The following standards and interpretations became effective during the year ended 31 March 2019 and were adopted by the Authority:

Standards/Interpretations	Effective date	Impact on these financial statements
IFRS 15 Revenue Recognition	01 January 2018	No significant impact on these financial statements
IFRS 9 Financial Instruments	01 January 2018	Increase in impairment of receivables and disclosure requirements (See below for additional details)
Amendments to IAS 40: Transfers of Investments property	01 January 2018	No impact on these financial statements
Amendments to IFRS 2: Clarifying share-based payments accounting	01 January 2018	No impact on these financial statements
IFRS 4 Amendments: Transfers of investment property	01 January 2018	No impact on these financial statements
IFRS 10 and IAS 28 Amendment: Sale or contribution of Assets between an investor and its Associate or Joint Venture	01 January 2018	No impact on these financial statements
IFRIC 22: Foreign currency transactions and advance considerations	01 January 2018	No impact on these financial statements

IFRS 9 *Financial instruments*
The Authority has adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of 1 April 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Authority did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of standard, the Authority elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in opening accumulated surplus/(deficit). The Authority does not hedge its financial risks and therefore hedge accounting is not relevant.

The consequential amendments to IFRS 7: Disclosures have also been applied to the current period. The Authority has enclosed the comparative disclosure notes for the prior period.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosure*.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Standards and Interpretations which became effective during the year *(continued)*

IFRS 9 *Financial instruments (continued)*

Set out below are disclosures relating to the impact of adoption of IFRS 9 on the Authority. Further details of the specific IFRS 9 accounting policies applied in the current period are disclosed in more detail below:

(a) Classification and measurement of financial instruments
There were no significant changes to the classification and measurement of financial liabilities. The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 April 2018 are compared as follows:

In Pula

Financial Assets	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Cash and cash equivalents	Amortised cost (Loans and receivables)	40 745 094	Amortised cost	40 745 094
Trade and other receivables	Amortised cost (Loans and receivables)	3 944 877	Amortised cost	3 931 759
TOTAL		**44 689 971**		**44 676 853**

Area and Potential Impact of IFRS 9 *Financial Instruments -Recognition and Measurement*

Classification and Measurement impact explained as at 1 April 2018, date of initial application

Cash and cash equivalents: This financial asset class is classified as loans and receivables and measured at amortised cost under IAS 39. Under IFRS 9, these assets continue to be measured at amortised cost because they satisfy the solely payments of principal and interest (SPPI) and business model tests for classification as amortised cost. Cash and cash equivalents are subject to impairment under both IAS 39 and IFRS 9. As at 31 March 2018, the impairment provision under IAS 39 was nil as there was no objective evidence of impairment.

The Authority has elected to apply the simplified approach for impairment of cash and cash equivalents because the lifespan of these assets is less than 12 months. The Authority has adopted the provision matrix contained in implementation guidance to IFRS 9 as its impairment methodology. Historical default rates on deposits held by banks is nil. Our review of relevant forward looking macroeconomic factors does not suggest possible defaults on bank deposits and consequently no provision has been raised on adoption of IFRS 9. On the basis of the above, the carrying amount of cash and bank deposits is not expected to be impacted at the year end. The Authority does not wish to rebut the presumption that a debt instrument is deemed to be in default if it is 90 days past due.

Trade and other receivables: The amount of P3 944 877 on 31 March 2018 includes an amount of P3 913 318 not subject to impairment. Third party receivables have been aged as at 1 April 2018 and provided for using the simplified expected credit loss model on the basis of the provision matrix. Consequently, the application of IFRS 9 on the date of initial application has resulted in the recognition of an additional impairment loss amounting to P13 118. This amount shall be debited to opening accumulated surplus/(deficit) and credited to the provision for doubtful debts account on the basis of the transitional approach selected.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Standards and Interpretations which became effective during the year *(continued)*

IFRS 9 *Financial instruments (continued)*

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9
The Authority performed an analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 April 2018:

In Pula

Financial Assets	IAS 39 carrying Amount 31 March 2018	Remeasurements	IFRS 9 carrying Amount 1 April 2018
Cash and cash equivalent Opening balance under IAS 39 and closing balance under IFRS 9	40 745 094	-	40 745 094
Trade & other receivables Opening balance under IAS 39	3 944 877	-	
Remeasurement: Expected Credit Loss (ECL)	-	(13 118)	
Closing balance under IFRS 9	-	-	3 931 759
TOTAL	**44 689 971**	**(13 118)**	**44 676 853**

The following explains how applying the new classification and measurement requirements of IFRS 9 led to changes in classification and measurement of certain financial assets held by the Authority as shown in the table above:

(c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9
The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impaient allowance measured in accordance with the IFRS 9 expected loss model at 1 April 2018:

In Pula

Measurement Category	Loss allowance under IAS 39	Reclassifications	Remeasurements	Loss allowance under IFRS 9
Trade and other receivables	(108 271)	-	(13 118)	**(121 389)**
TOTAL	**(108 271)**	-	**(13 118)**	**(121 389)**

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Standards and Interpretations which became effective during the year *(continued)*

IFRS 9 *Financial instruments* (continued)

(c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9 (continued)

In Pula

IAS 39: *Impairment Provision Matrix as at 31 March 2018*						
Description	**Current**	**1 - 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**Over 90 Days**	**Total**
Gross carrying amount***	1 700	10 516	11 181	8 162	108 271	**139 830**
Incurred loss rate	-	-	-	-	100%	**100%**
Loss allowance	-	-	-	-	(108 271)	**(108 271)**
Amounts not provided for**	-	-	-	-	-	**3 913 318**
Net carrying amount	**1 700**	**10 516**	**11 181**	**8 162**	**-**	**3 944 877**

Note:
****Third party debtors only*
*** Amounts included in other receivables outside the impairment scope of IFRS 9 such as prepayments and amounts deemed to have low credit risk*

In Pula

IFRS 9: *Impairment Provision Matrix as at 1 April 2018*						
Description	**Current**	**1 - 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**Over 90 Days**	**Total**
Gross carrying amount***	1 700	10 516	11 181	8 162	108 271	**139 830**
Expected loss rate	4%	21%	33%	87%	100%	**86.8%**
Loss allowance	(70)	(2 205)	(3 714)	(7 129)	(108 271)	**(121 389)**
Amounts not provided for**						**3 913 318**
Net carrying amount	**1 630**	**8 311**	**7 467**	**1 033**	**-**	**3 931 759**

Note: Incremental provision on transition date (1 April 2018): (121 389– 108 271) = 13 118

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

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 2019, and have not been applied in preparing these financial statements.

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 Authority also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

The Authority performed an impact assessment under an interim control environment with processes that continue to undergo validation. The impacts below are point in time estimates and should not be considered to be forecasts. The impacts that would have resulted from the implementation of IFRS 16 from the lessee perspective as at 31 March 2019 are as follows:

- On 1 April 2018, the Authority held 17 building lease contracts across the Country. The Authority will adopt IFRS 16 *Leases* on 1 April 2019 using the modified retrospective approach and consider practical expediencies relevant to this transitional approach.
- If IFRS 16 *Leases* was adopted in the current period, the Authority would have recognised a lease liability to the tune of P13 148 020 and corresponding Right-of-Use Asset amounting to P12 309 308 as at 31 March 2019. Finance costs would have increased by P905 256 and depreciation expense from the Right-of-Use Assets would have increased by P7 859 503 while operating lease expense would have decreased by P7 469 584.
- Deficit for the year would have increased by P1 295 175 if the standard was adopted in the current year while equity would have declined by P838 712.

IFRIC 23 Uncertainty over Income Tax Treatments: IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:
- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted. The standard is not expected to have an impact on the Authority's financial statements as the Authority is exempt from taxation.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. The effective date of these amendments was deferred indefinitely, but optional adoption is permitted. The amendments are not expected to have any impact on the Authority's financial statements.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Standards and Interpretations not yet effective *(continued)*

Long term interest in Associates and Joint Ventures (Amendments to IAS 28): The amendments clarify that an entity applies IFRS 9 to long term interest in an associate and joint venture that form part of the net investment in the associate or joint venture, but to which the equity method is not applied.

The amendments apply for periods beginning on or after 1 January 2019. Early adoption is pennitted. The amendments are not expected to have any impact on the Authority's financial statements.

IFRS 17 Insurance contracts
IFRS 17 supersedes IFRS 4 *Insurance Contracts* and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or other comprehensive income.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

This standard is effective for annual periods beginning on or after 1 January 2021 with early adoption permitted. The standard is not expected to have any impact on the Authority's financial statements.

Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)
The IASB's amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments clarify that:
- on amendment, curtailment or settlement of a defined benefit plan, it is now mandatory for entities to use the updated actuarial assumptions to determine the current service cost and net interest for the period; and

- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. These amendments are not expected to have any impact on the Authority's financial statements.

IFRS 9 amendment-Prepayment features with negative compensation
The IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation

The amendment is effective from annual periods beginning on or after 1 January 2019, with earlier application permitted. The amendment is not expected to have any impact in the Authority's financial statements.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Standards and Interpretations not yet effective *(continued)*

Annual improvements to IFRS standards 2015/2017 cycle various standards
As part of its process to make non-urgent but necessary amendments to IFRS, the IASB has issued the Annual Improvements to IFRS Standards 2015 - 2017 Cycle. These are minor amendments affecting IFRS 3, *'Business combinations'*, IFRS 11, *'Joint arrangements'*, IAS 12,*'Income taxes'*, and IAS 23, *'Borrowing costs'*.

IFRS 3 Business combinations
The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer should re-measure its previously held interest in the joint operation at fair value at of the acquisition date.

The amendments are effective for business combinations with acquisition date on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted.

IFRS 11 Joint arrangements
The amendments clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. The amendments are effective for transactions resulting in obtaining joint control on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted.

IAS 23 Borrowing
The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends. Previously, it was unclear whether the income tax consequences of dividends should be recognised in profit or loss, or in equity, and the scope of the existing guidance was ambiguous.

The Board noted that the amendments do not suggest that an entity recognises in profit or loss the income tax consequences of all payments on financial instruments classified as equity. Rather, the tax consequences are recognised in profit or loss only when an entity determines payments on such instruments are distributions of profits (that is, dividends). An entity may need to apply judgement in making this determination.

These amendments should be applied for annual periods beginning on or after 1 January 2019 to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Earlier application is permitted.

IAS 12 Income taxes
The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

These amendments should be applied prospectively for borrowing costs incurred on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted. The standard is not expected to have any impact on the Authority's financial statements.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
For the year ended 31 March 2019

Standards and Interpretations not yet effective *(continued)*

IFRS 3 amendment-Definitions of a business combination
In October 2018, the International Accounting Standards Board (IASB or Board) issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments:

- clarify the minimum requirements for a business
- remove the assessment of whether market participants are capable of replacing any missing elements
- add guidance to help entities assess whether an acquired process is substantive
- narrow the definitions of a business and of outputs
- introduce an optional fair value concentration test.

The Board expects that the amendments to IFRS 3 and the equivalent amendments made to US GAAP in 2017, will lead to more consistency in applying the definition of a business across entities applying IFRS and entities applying US GAAP.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is pennitted. The amendment is not expected to have any impact on the Authority's financial statements

Amendments to the definition of material in IAS 1 and IAS 8
The IASB issued the Practice Statement in September 2017. The Practice Statement represents non-mandatory guidance to help entities to make materiality judgements when preparing general purpose financial statements. The Practice Statement proposes a four-step process for applying materiality and includes guidance on how to make materiality judgements in specific circumstances.

The new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The amendments are not expected to have an impact on the Authority's financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019
(In Pula)

	2019	2018
1. Operating deficit		
The operating deficit is stated after taking into account the following;		
Profit on disposal of property, plant and equipment	(1 472 869)	(66 000)
Rental income	(744 948)	(872 235)
Sundry income	(1 183 045)	(852 762)
Training and resource centre income	(718 541)	(349 547)
Write back of excess accruals carried forward from prior financial year	-	(1 342 982)
Bad debts charge	32 832	20 714
Impairment of intangible assets	-	1 722 429
Auditors' remuneration – current year	507 505	539 901
Board sitting allowance	345 763	220 100
Depreciation of property, plant and equipment (note 4)	5 584 352	8 018 903
Insurance	1 343 550	1 358 637
Legal fees	1 497 762	505 602
Operating lease rentals	10 852 528	11 063 199
Project expenses "Leather Park"	12 581 050	5 140 741
Project expenses "Rapid Incubator"	3 698 691	3 132 749
Remuneration to senior management	8 368 494	10 413 174
Repairs and maintenance	1 827 931	1 792 845
Security expenses	2 887 039	2 792 687
Staff costs - retrenchment (note 10)	114 093 906	-
Staff costs - salaries and wages	89 326 360	91 579 252
2. Finance income		
Foreign exchange gain/(loss)	7 652	(10 644)
Interest received on bank deposits	1 801 624	1 205 622
Interest income accrued	38 699	57 314
	1 847 975	**1 252 292**

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

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NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(In Pula)

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
Cost										
At 1 April 2017	**12 562 588**	**77 324 796**	**15 245 353**	**3 590 166**	**7 191 583**	**6 663 486**	**23 979 531**	**23 243 178**	**354 407**	**170 155 088**
Additions	21 936	259 783	-	**48 602**	173 467	9 546	950 000	142 620	-	**1 605 954**
Transfers	(11 159 658)	9 414 767	-	**1 744 891**	-	-	-	-	-	**-**
Disposals	-	-	-	**-**	-	-	(870 000)	-	-	**(870 000)**
At 31 March 2018	**1 424 866**	**86 999 346**	**15 245 353**	**5 383 659**	**7 365 050**	**6 673 032**	**24 059 531**	**23 385 798**	**354 407**	**170 891 042**
Additions	1 665 138	361 509	573 016	142 540	91 052	205 009	-	490 911	-	**3 529 175**
Transfer	(1 111 028)	-	-	1 111 028	-	-	-	-	-	**-**
Disposals	-	-	(73 357)	-	(81 438)	(87 142)	(4 176 776)	-	-	**(4 418 713)**
At 31 March 2019	**1 978 976**	**87 360 855**	**15 745 012**	**6 637 227**	**7 374 664**	**6 790 899**	**19 882 755**	**23 876 709**	**354 407**	**170 001 504**
Accumulated depreciation										
At 1 April 2017	**-**	**12 677 912**	**15 180 901**	**3 507 235**	**5 594 515**	**6 084 375**	**19 820 545**	**21 000 553**	**338 320**	**84 204 356**
Charge for the year	-	3 579 841	16 908	413 147	601 212	190 478	1 935 145	1 276 414	5 758	**8 018 903**
Disposals	-	-	-	-	-	-	(652 500)	-	-	**(652 500)**
At 31 March 2018	**-**	**16 257 753**	**15 197 809**	**3 920 382**	**6 195 727**	**6 274 853**	**21 103 190**	**22 276 967**	**344 078**	**91 570 759**
Charge for the year	-	2 490 635	48 127	531 429	348 700	206 297	1 227 461	726 041	5 662	5 584 352
Disposals	-	-	(73 350)	-	(77 129)	(87 114)	(4 044 726)	-	-	(4 282 319)
At 31 March 2019	**-**	**18 748 388**	**15 172 586**	**4 451 811**	**6 467 298**	**6 394 036**	**18 285 925**	**23 003 008**	**349 740**	**92 872 792**
Carrying amount 2019	**1 978 976**	**68 612 467**	**572 426**	**2 185 416**	**907 366**	**396 863**	**1 596 830**	**873 701**	**4 667**	**77 128 712**
Carrying amount 2018	**1 424 866**	**70 741 593**	**47 544**	**1 463 277**	**1 169 323**	**398 179**	**2 956 341**	**1 108 831**	**10 329**	**79 320 283**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(In Pula)

4.1 Property, plant and equipment *(continued)*

Reclassification of capital work in progress
Capital work in progress amounting to P1 393 194, which relates to the phased implementation of SAGE Enterprise Resource Planning (ERP) system, has been reclassified to capital work in progress under intangible assets as per note 4.2 for more accurate presentation. It was previously included in property, plant and equipment under capital work in progress.

Composition of property, plant and equipment
Land consists of consolidated plots which house incubators, training facilities and branches that are located across Botswana. Land is held under freehold title deeds or leasehold fixed period state grants 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 costs incurred in the purchase of machinery to be used in the Incubation Project. As at the reporting date, installation of this machinery was in progress. The purchase of the machinery 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 2019
(In Pula)

4.1 Property, plant and equipment *(continued)*

Fully depreciated assets
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
Cost								
At 31 March 2019	**15 099 127**	**3 481 383**	**3 577 408**	**5 666 908**	**13 655 995**	**18 640 069**	**325 967**	**60 446 857**
At 31 March 2018	**15 172 711**	**3 481 437**	**1 474 906**	**5 754 570**	**17 304 729**	**18 640 477**	**326 081**	**62 154 911**

4.2 Intangible assets
Intangible assets relate to Sage ERP system. The system is not yet fully operational hence has not been amortised.
The following table shows the intangible assets movements from the prior year.

Balance at I April 2017	1 722 429
Additions	1 393 194
Impairment	(1 722 429)
Balance at 31 March 2018	1 393 194
Additions	953 676
Balance at 31 March 2019	**2 346 870**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(In Pula)

	2019	2018
5. Trade and other receivables		
Trade receivables	189 957	139 830
Less: Impairment allowances	(154 221)	(108 271)
	35 736	31 559
Deposits and prepayments	3 715 712	3 448 870
Sundry receivables	60 260	39 954
Salary advances	275 703	367 180
Accrued interest on deposits	38 699	57 314
	4 126 110	3 944 877
6. Related parties		
Income/(expense) transactions with related parties		
Government subvention	183 802 770	141 681 155
Amortisation of capital grants	3 550 660	5 673 354
Amortisation of revenue grants	15 237 275	8 273 490
Transactions with Government of Botswana	202 590 705	155 627 999
Key management personnel remuneration		
Board allowances	(345 763)	(220 100)
Salaries and allowances	(5 572 380)	(6 979 085)
Chief Executive Officer	(819 643)	(1 677 037)
Deputy Chief Executive Officer-Support Services	(275 074)	(866 687)
Deputy Chief Executive Officer-Client Support	(278 424)	(890 365)
Post-employment benefits	(1 422 973)	(4 335 163)
	(8 714 257)	**(14 968 437)**

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 reporting date.

Related party	**Relationship**
Government of Botswana	Shareholder
Board members	Key management
Executive management	Key management

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(In Pula)

	2019	2018
7. Cash and cash equivalents		
Short term deposits- call account balances	21 407 802	39 905 246
Current account balances	1 373 496	820 755
Cash on hand	12 548	19 093
	22 793 846	40 745 094
For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following:		
Short term deposits and current account balances	22 781 298	40 726 001
Bank overdraft	-	(20 714)
Cash on hand	12 548	19 093
	22 793 846	40 724 380

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(In Pula)

	2019	2018
8. Government grants		
Deferred capital grants		
Balance at 1 April	75 145 778	80 819 132
Amortisation to surplus or deficit	(3 550 660)	(5 673 354)
Balance at 31 March	71 595 118	75 145 778
At the reporting date the capital grants are analysed as follows:		
Short term portion	3 550 660	5 673 354
Long term portion	68 044 458	69 472 424
	71 595 118	75 145 778
Deferred revenue grants		
Balance at 1 April	28 822 765	23 085 017
Grants received	-	14 011 238
Amortised to cover related expenses incurred	(15 237 275)	(8 273 490)
Balance at 31 March	13 585 490	28 822 765
Total deferred grants balance at 1 April	103 968 543	103 904 149
Amortisation to surplus or deficit	(18 787 935)	(13 946 844)
Total deferred grants balance at 31 March	**85 180 608**	**89 957 305**

Capital grants represent grants advanced by the Government of Botswana 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. 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.

Deferred revenue grants represents unutilised grants advanced by Government to the Authority to fund working capital in respect of certain projects.

The Authority received a government subvention to cover its normal operations for the year amounting to P183 802 770 (2018- P141 681 155).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(In Pula)

	2019	2018
10. Trade and other payables		
Trade payables	1 824 729	2 333 861
Accruals and other payables	83 421 370	2 230 631
Payroll related accruals	13 152 189	18 577 860
	98 398 288	23 142 352

The Authority incurred retrenchment costs as part of its business model review. Retrenchment costs amounted to P114 093 906 of which P35 863 670 was paid during the year resulting in a balance of P78 230 236 being included in accruals and other payables at year end.

	2019	2018
11. Commitments and contingencies		
Operating lease commitments:		
The future aggregated minimum lease payments under non-cancellable operating leases for premises from which the Authority operates from are as follows:		
Within one year	4 919 273	8 420 403
After one year, before five years	9 152 320	5 937 780
	14 071 593	14 358 183

The operating leases the Authority has entered into are for office space it operates from at various locations. The duration of the leases range between two and five years. The leases are subject to escalations between 5% and 10% on anniversary. In addition, the Authority has entered into property leases of its residential properties and agri-business land across Botswana. The leases are subject to an escalation of 10% on anniversary.

Commitments

Furthermore, the Authority has entered into contractual agreements with third parties for the supply of goods. The contractual agreements amount to P7 334 672 at year end.

Contingent liabilities - Court cases

The Authority is defending litigation actions implemented by former contractors for termination of agreements entered into. Although liability is not admitted, if the defence against the actions is unsuccessful, the claims could amount to P1 690 449, all of which are expected to be reimbursed under the Authority's insurance. Based on legal advice, management and the Board members believe that the defence against the action will be successful. All the cases are expected to be resolved within the next 12 months.

12. Events after the reporting date

The Authority was going through a restructuring exercise as at 31 March 2019 (Note 10). Subsequent to year end, the Authority paid P78 230 236 as settlement for retrenchment costs. No other subsequent events were identified which may have a significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(In Pula)

13. Going concern
The Authority incurred a net deficit for the year ended 31 March 2019 of P75 442 079 (2018: P2 870 695) and as of that date its total liabilities exceeded its total assets by P77 183 358 (2018: P1 728 161) while the current liabilities exceeded current assets by P88 614 482 (2018: P12 969 214). The 2019 deficit is mainly due to retrenchment costs incurred in the current year (refer to note 10). Total current liabilities at the reporting date include unutilised government grants advanced to the Authority to fund the Leather Park project of P13 585 490 (2018: P28 822 765). The Authority continues to incur deficits.

The Authority is dependent on the Government of Botswana ("Government") for financial and operational support. Management has a mandate to utilise annual subvention revenue received from Government to incur expenditure in delivering the Authority's statutory mandate.

The Government has approved the Authority's 2019/2020 budget and is continuing to provide financial support to the Authority through Government subvention and grants. The Government has pledged to support the Authority in the next financial year through a government subvention of P173 375 090 disbursed in four equal instalments. Subsequent to year-end the Authority received P130 031 319 in grants from the Government.

There were no going concern matters identified by the Board members as at the reporting date. The Government as the parent has issued a letter of support indicating it would provide financial support to the Authority in order for it to continue as a going concern.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

However, in the event that the Authority does not receive the financial support of the Government, a material uncertainty exists which may cast significant doubt about the Authority's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(In Pula)

14. Financial instruments *(continued)*

	2019	2018
Financial assets		
Trade and other receivables	410 398	496 007
Cash and cash equivalents	22 781 298	40 726 001
	23 191 696	41 222 008
Financial liabilities		
Trade and other payables	85 246 099	4 564 492
Bank overdraft	-	20 714
	85 246 099	4 585 206

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.

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 expected credit losses in respect of receivables. This allowance is estimated through historical experience and a detailed specific balance analysis of the balances outstanding at the reporting date which exceed agreed upon payment terms. These balances include trade receivables handed over to lawyers, known slow payers and disputed amounts.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(In Pula)

14. Financial instruments *(continued)*

Credit risk (continued)

Financial assets subject to credit risk is analysed as follows:

	2019	2018
Trade receivables	35 736	31 559
Other receivables	374 963	464 448
Cash and cash equivalents	22 781 298	40 726 001
	23 191 997	41 222 008

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

	Gross 2019	Impairment 2019	Gross 2018	Impairment 2018
Past due 1 – 30 days	20 778	(1 788)	23 397	-
Past due 31- 60 days	21 825	(6 109)	8 162	-
Past due 61 – 90 days	5 703	(4 673)	-	-
Past due more than 90 days	141 651	(141 651)	108 271	(108 271)
	189 957	(154 221)	139 830	(108 271)

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

	Impairment 2019	Impairment 2018
Balance at beginning of year	108 271	2 189 640
IFRS 9 transitional adjustment	13 118	-
Bad debts written off	-	(2 102 083)
Increase in allowance included in surplus or deficit	32 832	20 714
Balance at end of year	154 221	108 271

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(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 demands.

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

	Carrying amount	Contractual cash-flows due in less than 6 months
2019		
Trade and other payables	85 246 099	85 246 099
Bank overdraft	-	-
	85 246 099	85 246 099
2018		
Trade and other payables	4 564 492	4 564 492
Bank overdraft	20 714	20 714
	4 585 206	4 585 206

Interest rate risk

Fluctuations in the interest rates impacts 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, this risk is not significant.

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

Annual interest rates

	2019	2018	2019	2018
Investments	3.85%-5.75%	3.55%-5.00%	17 603 838	34 867 853
Call accounts	0.02%	0.02%	3 803 964	5 037 393
			21 407 802	39 905 246

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(In Pula)

14. Financial instruments *(continued)*

Interest rate risk (continued)

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

	2019	2018
Investments	88 019	174 339
Call accounts	19 020	25 187
Net decrease in net deficit/increase in net surplus	107 039	199 526

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

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 during the current or prior period.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2019
(In Pula)

15. Categorisation of assets and liabilities *(continued)*

	Carrying values	Financial assets/ liabilities at amortised cost	Other non-financial assets and liabilities	Current assets and liabilities
2019				
Assets				
Trade and other receivables	4 126 110	410 392	3 715 712	4 126 110
Cash and cash equivalents	22 793 846	22 781 298	12 548	22 793 846
	26 919 956	23 191 690	3 728 260	26 919 956
Liabilities				
Trade and other payables	98 398 288	85 246 099	13 152 189	98 398 288

	Carrying values	Loans and receivables	Financial assets/ liabilities at amortised cost	Other non-financial assets and liabilities	Current assets and liabilities
2018					
Assets					
Trade and other receivables	3 944 877	496 007	-	3 448 870	3 944 877
Cash and cash equivalents	40 745 094	40 726 001	-	19 093	40 745 094
	44 689 971	41 222 008	-	3 467 963	44 689 971
Liabilities					
Trade and other payables	23 142 352	-	4 564 492	18 577 860	23 142 352
Bank overdraft	20 714	-	20 714	-	20 714
	23 163 066	-	4 585 206	18 577 860	23 163 066

DETAILED INCOME STATEMENT
For the year ended 31 March 2019
(In Pula)

	2019	2018
Income		
Government subvention	183 802 770	141 681 155
Amortisation of capital grants	3 550 660	5 673 354
Amortisation of revenue grants	15 237 275	8 273 490
	202 590 705	155 627 999
Other operating income		
Profit on disposal of plant and equipment	1 472 869	66 000
Rental income	744 948	872 235
Sundry income	1 183 045	852 762
Telephone recoveries	1 007 388	548 840
Tender fees	111 448	9 025
Write back of excess accruals	-	1 342 982
Training and resource centre income	718 541	349 547
	5 238 239	4 041 391
Operating expenses		
Advertisement	(1 190 347)	(282 426)
Annual license fee	(3 171 666)	(180 380)
Auditors' remuneration - current year	(507 505)	(539 901)
Bank charges	(156 829)	(146 543)
Board sitting allowance	(345 763)	(220 100)
Board meeting expenses	(51 697)	(41 265)
Business travel, accommodation and allowances	(3 232 880)	(2 065 582)
Computer expenses	(618 063)	(7 490 959)
Consultancy fees	(3 633 493)	(739 525)
Courier and postage	(146 740)	(159 425)
Depreciation of property, plant and equipment	(5 584 352)	(8 018 903)
Doubtful debts charge	(32 832)	(20 714)
Glen Valley consumables	(2 409 508)	(1 236 561)
Insurance	(1 343 550)	(1 358 637)
Legal fees	(1 497 762)	(505 602)
Motor vehicle expenses	(1 166 188)	(1 039 407)
Office expenses	(1 073 347)	(986 197)
Operating lease rentals	(10 852 528)	(11 063 199)
Project expenses Leather Park	(12 581 050)	(5 140 741)
Project expenses Rapid Incubator	(3 698 691)	(3 132 749)
Promotion and publicity	(897 749)	(561 665)
Impairment of intangible assets	-	(1 722 429)
Total carried forward	**(54 192 540)**	**(46 652 910)**

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DETAILED INCOME STATEMENT *(continued)*
For the year ended 31 March 2019
(In Pula)

	2019	2018
Total brought forward	**(54 192 540)**	**(46 652 910)**
Remuneration paid to senior management	(8 368 494)	(10 413 174)
Repairs & maintenance	(1 827 931)	(1 792 845)
Research costs	(139 179)	(255 590)
Security expenses	(2 887 039)	(2 792 687)
Seminars, retreat and conference costs	(426 373)	(723 161)
SMME conference and fair - current year	(1 705 170)	(346 941)
Staff costs- Salaries & wages	(89 326 360)	(91 579 252)
Staff costs- Retrenchment	(114 093 906)	-
Staff training and recruitment	(318 732)	(397 597)
Staff welfare	(2 000 363)	(636 258)
Stakeholder management	(64 550)	(59 294)
Stationery and printing	(1 353 390)	(1 713 888)
Subscriptions	(341 989)	(158 762)
Telephone, mobile and fax	(4 450 057)	(4 793 781)
Write off of receivables	(111 293)	-
Training and mentoring costs	(3 511 632)	(1 476 237)
	(285 118 998)	**(163 792 377)**
Operating deficit for the year	**(77 290 054)**	**(4 122 987)**

This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 66 to 69.

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“Mogwebi re go **tlhoma kwa pele.**”

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