



LOCAL ENTERPRISE AUTHORITY



Annual Report 2019/20

Accelerating Enterprise Growth

Where to find us

www.lea.co.bw



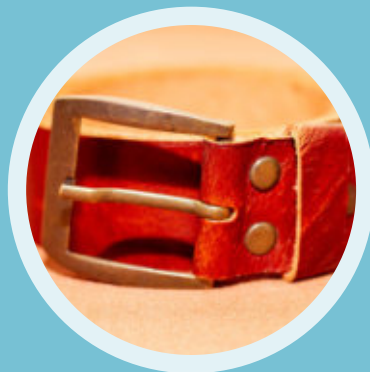
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Glossary of Terms

ACCA	Association of Chartered Certified Accountants	EWP	Employee Wellness Programme
BAC	Botswana Accountancy College	FAC	Finance and Audit Committee
BCP	Business Continuity Plan	FIBI	Francistown Industrial Business Incubator
BEDP	Botswana Export Development Programme	FVT	Financial Viability Tool
BIH	Botswana Innovation Hub	HRC	Human Resource Committee
BITC	Botswana Investment and Trade Centre	JNCC	Joint Negotiations and Consultative Committee
BIUST	Botswana International University of Science and Technology	LEA	Local Enterprise Authority
BOPEU	Botswana Public Employees Union	LII	Leather Industries Incubator
BTC	Board Tender Committee	MITI	Ministry of Investment, Trade and Industry
BSE	Botswana Stock Exchange	MoU	Memorandum of Understanding
BUAN	Botswana University of Agriculture and Natural Resources	MYESCD	Ministry of Youth Empowerment, Sport and Culture Development
BURS	Botswana Unified Revenue Services	NEF	National Environmental Fund
BQA	Botswana Qualifications Authority	PFF	Product Facilitation Fund
CEDA	Citizen Entrepreneurial Development Agency	QMS	Quality Management System
CETP	Common Effluent Treatment Plant	RICS	Royal Institute of Chartered Surveyors
CIPA	Companies and Intellectual Property Authority	SAITEX	Southern African International Trade Exhibition
COSO	Committee of Sponsoring Organizations of the Treadway Commission	SBA	Small Business Act
CRM	Customer Relationship Management	SHE	Safety, Health and Environment
DNI	Department of National internship	SMME	Small, Medium and Micro Enterprises
EAW	Entrepreneurship Awareness Workshop	TAC	Technical Advisory Committee
EIA	Environmental Impact Assessment	UB	University of Botswana
EDT	Entrepreneurship Development Training	YDF	Youth Development Fund
ERM	Enterprise-wide Risk Management		



Our Mandate

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

- A.** Providing assistance to SMMEs in the preparation of business plans, feasibility studies and market surveys;
- B.** Improving the business skills and competences of SMME entrepreneurs through the provision of training and advisory services in entrepreneurship development, technology, marketing and through appropriate mentoring services;
- C.** Creating growth opportunities for SMMEs through securing greater access to Government procurement contract for goods and services, in consultation with Government Ministries, local authorities and Parastatal 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.

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

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

LEA has an extensive country-wide footprint of 13 branch offices country-wide, located in Gaborone, Francistown, Ghanzi, Kanye, Kasane, Masunga, Maun, Pilane, Molepolole, Ramotswa, Selibe-Phikwe, Serowe and Tsabong. In addition, the Authority has two satellite offices in Hukunsi and Letlhakane; to offer business development and support services to the citizens of Kgalagadi North and Boteti region respectively. Furthermore, LEA operates five incubation centres that provide shared facilities, subsidized business operational space, business and technical skills acquisitions 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 GROWTH AND JOB CREATION.



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 Small, Medium and Micro Enterprises.

LEA Board of Directors



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 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 in the operation and ultimately becoming the General Manager.

Mr. Mokgethi Frederik **MAGAPA**
Board Chairman



Mr. Dumisani **LOPANG**

Mr. Lopang is an astute media entrepreneur with over 20 years experience in the sector, with an impeccable record in establishment of businesses from Etel, a telecommunications company, Pixal Communications Africa which exploits telecom opportunities in the continent to the YMH Media Group which houses multiple award winning radio station – Yarona FM, Horizon Ogilvy & Mather, an advertising agency, YMH Publishing, Integrate PR, Brandcentric – a digital agency, Phoenix FM in Zambia and YMH Outdoor amongst other interests.

By having a good eye for opportunities and investing in ambitions and nurturing potential, he has been involved in multiple projects of great influence and significance such spearheading Exponential Investments; a 100% citizen owned multi million Pula property project that has changed the Gaborone skyline. As Executive Director of Yarona FM, Horizon Ogilvy and Mather, Integrate Public Relations, YMH Outdoor, YMH Publishing, Phoenix FM and YMH, Dumisani is overseeing the establishment of a media group projected to list on the Botswana Stock Exchange in a few years; one of the many projects that defines his entrepreneurial prowess.



Dr. Lucky Wakantse **ODIRILE**

Dr. Lucky Odirile is the University of Botswana Director of Careers and Counselling Centre. She holds a doctoral degree in Counsellor Education and has been a lecturer in Counselor Education both nationally and internationally.

She has expertise and significant training in several fields including General Mental Health, and has contributed immensely to organizational, youth development and empowerment, as well as health and wellness issues.

In 2015 and 2020 respectively, Ohio University in the US awarded Dr Odirile the Glidden Visiting Professorship award, which is a prestigious, worldwide award given to distinguished scholars of the world who have made significant impact in their fields and the world at large. In 2009 she was awarded the George E. Hill International award given to outstanding scholars who demonstrate outstanding scholarship and leadership in counselling. In 2009 Five Roses awarded Dr Odirile Trend Setter Award for her significant involvement in general youth matters. Her community service is shared through involvement in different committees.



Ms. Bonolo **CHAMPANE**

Ms. Bonolo is a General Manager at Bidfood, Bid Corp (RSA) Group with 17 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. Champagne 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.



Dr. Haniso **MOTLHABANE**

Dr. Motlhabane is the Director for Outreach and Engagement at the Botswana International University of Science and Technology (BIUST). One of the key programmes that he is responsible for is the BIUST's Pre-University Academic Programme which is an initiative directed at strengthening pipeline of Mathematics and Science students from pre-tertiary levels of education to the BIUST.

He has been the Interim Associate Provost for Continuing Education and Outreach. Dr Motlhabane has also acted as Vice Provost-Student Affairs and as Deputy Vice Chancellor for Finance and Administration. He serves in several key portfolios of the university life and programme of development, and has served in several national tertiary education policy structures. Dr Motlhabane has served in many other forums that have shaped the current tertiary education and the national science and technology landscape.



Mrs. Keganele **MALIKONGWA**

Mrs. 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**

Mrs. 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 and various Managerial posts at Stanlib Investment Management Services, Khumo Property and Asset Management as well as Property and Asset Management Limited.



Mrs. Omphemetse **CHIMBOMBI**

Mrs. Chimbombi holds a Master of Finance and Control (MFC) from Amity University, Bachelor of Commerce (Accounting) from University of Botswana and an Advanced Taxation Course from Botswana Accountancy College.

She is currently the Director of Transfer Pricing Experts, a Training and Consultancy business, as an accredited trainer in Transfer Pricing. Her vast experience in the field of Accounting, Audit and Taxation includes holding various supervisory and managerial roles in various organisations. She was also a Lead Tax Auditor at BURS and a Tax Manager at one of the Big Four Firms in Botswana. Mrs Chimbombi was a member of the project team that established the Large Taxpayer Unit (LTU) at BURS, as well as a team that drafted the Transfer Pricing legislation of Botswana.



Mr. Mokgethi **NYATSENG**

Mokgethi Nyatseng is an entrepreneurial leader with more than 15 years ICT leadership experience. He specialises on business transformation by harnessing the power of cloud and next generation technologies as well high performing teams.

Mokgethi has transformed both the local and regional wholesale telecommunication's markets, having led amongst others, the transformation of Botswana from a landlocked country to a landlinked country. He has contributed enormously to the development of policies and solutions that enabled a level playing field for ICT service providers in Botswana and the region, leading to greater internet penetration and access to ICT services.

Currently, as the Managing Director of inq. Botswana, his focus is building and driving the adoption of secure and reliable digital solutions that empower enterprises and SMEs in Botswana to fast track their digital transformation journey, hence gaining a competitive edge in their markets.

Mokgethi has held various leadership positions including General Manager Wholesale and General Manager Enterprise both at Botswana Telecommunication Corporation.



Mrs. Patience **MOTSWAGOLE**

Mrs. Patience Motswagole is a Board Secretary and Legal Advisor at the Public Procurement and Asset Disposal Board (PPADB).

She is a Banking and Commercial lawyer with 19 years' work experience, and over 10 years' experience in the financial service industry and corporate sector. She has experience in commercial law, corporate finance, corporate governance, procurement, regulatory issues and compliance. Mrs Motswagole has extensive regulatory leadership experience having headed the legal departments at the Citizen Entrepreneurial Development Agency (CEDA), Barclays Bank of Botswana Limited, First National Bank of Botswana Limited. She holds a Bachelor of Laws (LLB) degree, Management Development Programme and Postgraduate Certificate in Laws (Banking and Finance).

Executive Management



1. Dr. Racious M. MOATSHE Chief Executive Officer	8. Mr. Fana M. KELEBOGILE Head, Sector Innovation
2. Mr. Godfrey MOLEFE Chief Financial Officer	9. Mr. Mompoti BAIPHETHI Head, Capacity Development
3. Mr. Omphitlhetse SALESHANDO Head, Strategy & Policy	10. Ms. Dynah SOLANI Regional Manager - North
4. Mrs Boikhutso KGOMANYANE Head, Corporate Affairs & Market Access	11. Mr. Oreneile PADIPADI Regional Manager-South
5. Mrs. Tshepo WADIPEBA Head, Human Capital	12. Ms. Nakisani CHUMA Manager - Internal Audit
6. Mr. Monyadiwa MASILO Head, Technology & Innovation	13. Mrs. Boitsheko NTSHINGANE Legal Advisor
7. Mr. Lesitamang PAYA Leather Park Coordinator	

LEA Board Chairman's Statement



It is with gratitude and honour that I present on behalf of the Local Enterprise Authority (LEA) Board of Directors, the LEA annual report for the 2019-20 financial year in accordance with the Small Business Act No. 16 of 2008. The annual report comprises of the annual Audited Financial Statements, business operations, projects and initiatives all intended to catapult Botswana SMME sector into a wealth creating and economic growth engine. We are also proud to also feature 25 businesses who graduated from LEA hand-holding during this financial year, following successful completion of a rigorous capacity development plans to transform their enterprises.

Corporate Governance

I am pleased to report that the Local Enterprise Authority Board of Directors during the year effectively continued their oversight role, strategic and overall direction of the affairs of the organisation, guided by the shareholder compact signed with the Ministry of Investment, Trade and Industry. All Board and sub-committee meetings were held, and guidance provided on the execution of LEA mandate, as well as projects and initiatives that aim at improving business landscape for SMMEs to flourish. In addition, strategy review fora were

LEA Board Chairman's Statement (Continued)

conducted during the year, to assess organisational performance and re-strategize with the intention to remain relevant and address key challenges experienced by the SMME sector.

Corporate Strategy and Performance

As an institution under the Ministry of Investment, Trade and Industry, LEA continued during the 2019-20 financial year to play a very central role, that of providing targeted interventions necessary to capacitate the SMMEs to start, grow and expand their businesses. Our 2018-2023 all-inclusive strategy therefore positions the organisation as a focal point to transform the business landscape to accelerate entrepreneurship and enterprise development. This strategy aspires to create the SMME sector that has the capability to create employment, reduce the import bill, export and diversify the economy.

Of paramount importance in the delivery of the LEA mandate is our ability to offer business development and support services to the SMMEs even during unusual period such as the COVID 19 scourge. In dealing with this pandemic currently affecting economies globally, we have moved swiftly to also recognise technology and innovation as the utmost tools to utilize in the delivery of interventions, as well as to enhance service delivery to the business community nation-wide.

Leveraging on ICT's, especially in the wake of the Fourth Industrial Revolution (4IR) will further propel enterprise growth and increase online trade both locally and internationally. LEA will therefore during the 2020-21 financial year, commence digitization and pilot remote service offering to the SMMEs, including provision of all the necessary enabling tools for the LEA workforce to proficiently handhold Botswana entrepreneurs virtually.

Having been entrusted with this very important mandate of entrepreneurship and SMME development in Botswana, the role of LEA is critical. It needs commitment and dedication from all critical stakeholders including the Government, private sector and SMMEs themselves, in order to collectively build a robust and impactful SMME sector. Throughout this entrepreneurship journey, the Authority has partnered with several institutions worthy of complementing our mandate and value proposition. We are already realising the benefits of these collaborations.

We do believe that with continued commitment and precise execution of these strategic collaboration plans, the national entrepreneurship and SMME development agenda will be achieved. Leather Industry park project milestone continued with notable progress achieved on the review and approval of the project business case. The project has progressed into stages that will lead into the construction phase during the 2020-21 financial year.

Financial Highlights

As a State-owned entity, the Local Enterprise Authority receives yearly subventions to carry out on behalf of Government, the mandate of promoting entrepreneurship and developing the Small, Medium and Micro Enterprises in Botswana. The Authority experienced a constrained budget during the 2019-20 financial year, which resulted in some of the planned initiatives put in abeyance. Consequently, this negatively affected service provision to the SMME sector. We are however hopeful that the 2020-21 financial year will yield better results following the rationalisation of the organisational resources and subsequent reduced Staff complement.

Acknowledgement

On behalf of the LEA Board, Management and Staff, I take this opportunity to express gratitude to the shareholder, Government of Botswana. The support we received from the Ministry of Investment, Trade and Industry immensely enabled LEA to archive the 2019-20 financial year objectives, specifically the organisational re-modelling and re-structuring. Appreciation also goes to all LEA partners, who have seen value in what we do and forged collaborations to further advance entrepreneurship and SMME development in Botswana. I also pay tribute to the LEA dedicated workforce, who unconditionally serve the SMME sector country-wide, and urge them to continue the good effort now more than ever before as sustainable enterprise development is our only hope for employment creation, economic growth and diversification.



Mr Mokgethi Frederick Magapa
Board Chairman

Chief Executive Officer's Statement



The Local Enterprise Authority annual report for the 2019-20 financial year entails the organization's performance during the second year of implementation of the 2018-2023 strategy. Alongside the delivery of the organizational core business as mandated by the Small Business Act (2003), the year was also characterized by continuation of the organizational business model review, as well as the re-structuring exercise that re-positioned the organization from being activity based to impact driven, thus significantly enabling entrepreneurship and SMME development. The 2019-20 annual report therefore highlights achievements realized during financial year, which were guided by our transformative and strategic themes namely: Business Model and Operating Model Transformation; SMME Development and Stakeholder Engagement and Partnerships

Organizational Performance Highlights

Central to the LEA mandate is the development of a vibrant SMME sector that is capacitated enough to reach significant production levels and meet local demand of goods and services, and ultimately access the export market.

Chief Executive Officer's Statement (Continued)

To create such innovative, competitive and sustainable SMMEs, the Authority provided business development and support services to nurture SMMEs across all sectors of the economy, to enhance their business management skills base and technical capabilities to catapult their enterprises.

Of paramount importance is discharging services throughout the branch network, where entrepreneurs interface with staff and get empowered in various ways; including through provision of business advisory services, training, on-site coaching, mentorship, market access facilitation, technology and innovation support. Business plan development is one of the critical offerings to the SMME sector, to enable both start-up and existing enterprises to access funding. A total of 1913 business plans were developed and submitted to various funding institutions through LEA assistance during the review period, with 924 evaluated and funded at P124m by March 2020. Still during the year, LEA nurtured SMMEs to create and maintain 1882 jobs out of a total of 3453 active SMME portfolio. We continue to implement the robust capacity development plans to turn around more enterprises and increase employment levels.

Import substitution has been identified as a key component in increasing local production of goods and services, as well as reducing the ever-increasing import bill which reached P70 billion in 2019. In this regard, the authority was able to support SMMEs to produce P21.3m worth of products during the financial year. Facilitation of business linkages and access to markets remains our focus area, to have SMME goods and services absorbed by various markets. In order to create successful linkages, LEA invested in product quality and producers' capacity, for them to be able to meet market access opportunities valued at P19.27m. This greatly contributed to the overall portfolio turnover, which has reached P274.5m by March 2020.

The organization continued provision of monitoring services during the year, which have proven to be very effective as Staff members coach the entrepreneurs on-site and mentor them through the business development stages until they graduate. By March 2020, 49 enterprises had received mentoring services from LEA, and provided with value adding interventions to advance their businesses. These included among others Branding, Packaging & Labelling, Management systems, development of company policies and Quality

Management Systems certification, all necessary to upscale the beneficiaries and increase their profitability.

Furthermore, 736 entrepreneurs were trained by LEA on various disciplines such as records keeping, business planning sales and marketing entrepreneurship development. On the other hand, 78 participants attended the Entrepreneurship Awareness Workshops facilitated by LEA. Skills and knowledge acquired from these interactive sessions instill entrepreneurship culture and promote enterprise development as an alternative to formal employment. In order to increase LEA footprint and enhance service delivery and presence, new satellite offices were opened in Letlhakane and Hukuntsi to serve the public in the Boteti and Kgalagadi North regions, in addition to thirteen offices located at all administrative centres across the country.

Incubation Programme

The Authority currently operates five (5) incubation centres which during the 2019-20 financial year provided targeted capacity building interventions and graduated enterprises in the horticulture, leather and light manufacturing sectors. These incubators handhold the incubated businesses, and accelerate their competitiveness and sustainability through provision of relevant infrastructure to enhance production; training and mentorship on new technologies and innovations to improve products' quality; as well as linkages to markets and overall capacitation to prepare them to survive post incubation period.

Despite the financial constraints experienced during the review period, effort has been exerted to fully re-model the Incubators and develop more centres of innovation and creativity to incubate a diversified portfolio, some of which are a result of partnerships with stakeholder institutions.

Stakeholder engagement and partnerships form the basis upon which we strive to attain our aspirations and grow the SMME sector. During the 2019-20 financial year, we made strides in our quest to build alliances with stakeholder institutions across various industries, both in Government and the private sector. These are partners who have the capability to complement the LEA mandate in furtherance of entrepreneurship and SMME development agenda. Through these collaborative efforts, work is underway to refurbish

Chief Executive Officer's Statement (Continued)

some of the properties to offer the much needed business operational space, to be completed during the 2020-21 financial year.

Leather Industry Park

The Leather park project milestones are ongoing, with the intention to deliver a sound national project that will transform the leather industry in Botswana. Given the magnitude of the project and the level of expertise required to set up and operate the park, due diligence was done satisfactorily to ensure project success. The leather industry park business case review was conducted and approved during the 2019-20 financial year, together with the new business model and the funding structure to kick-start the project. Also, the Leather Park Governance structure was set up, consisting of internal and external key stakeholders to ensure prudent project implementation.

LEA response to COVID 19

The LEA response to the pandemic to a larger extent focused on relieving challenges faced by the SMMEs, and supported them in various ways in order for them to continue producing, at the same time fulfilling the protocols and measures put in place to suppress the spread of the virus. This assistance included sourcing of import permits to enable essential service providers to import raw materials, as well as securing work permits for their employees.

LEA also assisted clients to apply for COVID 19 financial relief programmes coordinated by other institutions. More than 300 LEA assisted enterprises across the branch network were assisted to apply for the BURS wage subsidy to assist with staff salaries during the

lockdown period. Furthermore, SMMEs were assisted to meet financiers' requirements for working capital and loan repayment holiday.

In addition, the Authority facilitated SMMEs essential products testing at Botswana Bureau of Standards to ensure compliance with the set quality standards. Market access linkages were also created for the COVID 19 related goods and services, for producers to supply various procuring establishments in Government and the private sector. In this regard, P2.3m worth of market access was secured for the supply of sanitizers, cleaning chemicals, face shields and medical consumables such as medical gloves and masks.

Acknowledgements

The success and accomplishment of the organizational initiatives during the 2019-20 financial year bears testimony to the cohesive relations between key stakeholders namely the Ministry of Investment, Trade and Industry, LEA Board and Staff. We thank the Ministry for the unwavering support of the Authority, as well as the Board of Directors for their leadership and oversight role. We are equally grateful for the dedication of enthusiastic LEA Staff, who remain resolute in empowering the SMME sector country-wide to start and grow innovative, competitive and sustainable businesses.



Dr. Raciou M. Moatshe
Chief Executive Officer

Board And Governance

LEA BOARD

The LEA Board consists of ten members who are responsible for directing the affairs of the Authority on various matters as specified in the Small Business Act of 2004 and the LEA Board Charter. The Members are appointed by the Ministry of Investment, Trade and Industry for a three-year tenure and are eligible for re-appointment. The LEA Board in accordance with the Board Charter meets on a quarterly basis for substantive Board meetings and Board Sub-Committee meetings. The Board and its Sub-Committees have special meetings depending on the business needs.

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. This code of ethics is infiltrated into the functions of the LEA to promote high performance culture. The LEA code of conduct is part of the HR Policy Manual, which is communicated to Staff during induction and on-boarding. All employees are given the HR policy manual when they join the organization, and the HR policy is accessible to all staff members.

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 set 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 permanency of the Authority's going concern and protection of all its assets wherever located.

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 audited financial statements every year. Other control systems employed by the Authority include business continuity plans and the identification and monitoring of key risk areas affecting the Authority, which function is orchestrated by the Authority's Risk and Internal Audit Division and overseen by the LEA Finance and Audit Committee.

Trust, Good Reputation and Legitimacy

The Authority has a business continuity plan to ensure checks and balances on the LEA 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.

LEA Board Sub-Committees

The LEA Board has four Board sub-committees that provide strategic guidance to the organization in compliance with the statutory requirements.

TECHNICAL ADVISORY COMMITTEE

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

- Providing business planning, training and advisory services
- Identifying business opportunities for existing and future SMMEs
- Promoting domestic and international linkages, especially between SMMEs and Government, large businesses and other SMMEs
- Exploitation of Government and large firm procurement opportunities
- Facilitating changes in regulations, standards, infrastructure and access to finance
- Facilitating technology adoption and diffusion
- Creating awareness of the plight of the SMME Sector

The Technical Advisory Committee consists of five (5) members

FINANCE AND AUDIT COMMITTEE

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

- Financial information, including audited financial statements
- Strategic financial plans and the annual operating budgets
- Internal controls systems
- Internal audit processes

- Investment management activities
- Risk management process which includes the identification and evaluation of significant exposure to risks

The Finance and Audit Committee consists of five (5) members.

HUMAN RESOURCES COMMITTEE

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

- Making recommendations for consideration of the Board pertaining to the appointment and dismissal of senior officers
- Maintaining objectivity and neutrality in determining remuneration, benefits and allowances for the LEA and appropriate human resource policies and strategies
- Ensuring that LEA keeps abreast of developments in the labour market and that the Authority adopts suitable best practices in human resource management

The Human Resources Committee consists of four (4) members

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.

The Board Tender Committee consists of five (5) member

Board composition for the 2019-20 financial year

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

Members who sit in the Committees are marked *.

Mr Lopang appointed in June 2019

Mr Nyatseng appointed in June 2019

Mrs Motswagole appointed in June 2019

Mrs Chimbombi appointed in August 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

The Local Enterprise Authority management processes support the business to identify, manage and effectively mitigate critical risks during the execution of the mandate. The ability to effectively identify and manage risk is a vital element of business success. Risk management takes place in many different processes and operations throughout the organization. The following support mechanisms were established:

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.

Risk Management Through Insurance

The Local Enterprise Authority has insurance programmes that seek to transfer the risks associated with the Authority's liability exposures on its Property, Human resources and crops at the Glen Valley Horticulture Incubator. Insurable risks are continuously evaluated, and actions are taken to reduce these insurable risks, as part of the Authority's loss-prevention strategy. Amongst others, the insurance covers procured include the Group Life Insurance Benefit Scheme, Group Funeral Insurance Scheme, Business Interruption, Public Liability, Workers Compensation and Motor Fleet.

Safety, health and environment (SHE) structures

To ensure high level of safety in the work environment the Authority regularly conducts SHE inspections throughout the branch network and incubators. The objective of the SHE inspections is to continuously improve the safety, health and environmental concerns within the workplace. The activities conducted during the 2019-20 financial year include fire drills and SHE inspections for all the sites including newly relocated offices such as the Head Office and Gaborone Branch.

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 by to ensure their relevance and adequacy.

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.

INTERNAL AUDIT

The LEA internal Audit function is an independent assurance function within LEA providing services to the Board of Directors and Management. Its responsibility is to ensure provision of independent and objective assurance and advice. It also aims to deliver value

Corporate Governance Statement (Continued)

and help the organisation in achieving its priorities. Moreover, Internal Audit conducts adhoc financial and operational audits and special investigations. Internal Audit's responsibilities include supporting management in the assessment and mitigation of risks to protect the business, delivering the annual audit plan as well as reporting on the effectiveness of the systems of internal control. Internal Audit reports are submitted to the Finance and Audit Committee and LEA Board 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 has approved the corporate policies on which the control environment is based, as well as the policies relating to risk management and corporate governance. The financial reporting process incorporates internal control principles pursuant to the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission).



LOCAL ENTERPRISE AUTHORITY

REPORT FRAUD, THEFT AND DISHONEST BEHAVIOUR.



Choose your anonymous Tip- Off Method

Fax | Phone | Email | Post

CALL TIP OFFS ANONYMOUS TOLL FREE

Landline: 0800600644

Orange: 1144

Free Fax: +27 31 502 6760

Email: lea@bw.tip-offs.com

Free Post: PO Box 448, Goaborone, Botswana

Development Of Innovative, Competitive And Sustainable SMMEs

Business plan and credit facilitation

A total of 1913 business plans were developed and submitted to various funding institutions mostly Government financiers (YDF and CEDA) during this review period. By March 2020, 924 of these were evaluated and funded at P124m, mostly for Micro enterprises. The agriculture sector attracted most funding at 51%, followed by manufacturing and services sectors at 34% and 14% respectively. The tourism and hospitality sector was funded at 2%. Our intention going into the 2020-21 financial year is to intensify access to funding opportunities, as it has been evident that most enterprises struggle financially and therefore do not grow and expand their businesses as desired.

LEA SMMEs Turnover and Viability

LEA portfolio turnover stood at P274.5m, with the services sector accounting for 52%, Tourism and Hospitality (22%), Manufacturing (17%) Agriculture (9%). Although the growers and blockbusters are fewer in number, their combined turnover for the year amounted to P247.6m, while the micro categories turnover was P26.8m. Out of the 153 SMEs already subjected to the Financial Viability Tool, 60% were found to be financially viable. In future, we will be looking into further assisting the SMEs that experience challenges using the Financial Viability Tool, and develop ICT driven Business Advisory Services platform through which clients will be virtually coached.

Creation of new SMMEs

LEA facilitated creation of 124 new SMMEs during the year, who were provided with business advisory services to guide them on business opportunities available, development of bankable business plans and starting, growing and expanding their businesses. In terms of transitioning between categories, 92 micro enterprises transitioned to Small & Medium Enterprises stage, a good indicator of growth potential. The Authority will strive to hand hold enterprises to scale-up and eventually reach the grower and blockbuster stages.

Employment creation

During the year under review, LEA had a total of 3453 active portfolio consisting of Micro enterprises (72%),

Growers (27%) and Blockbusters (1%) category. These businesses created and maintained a total of 1882 jobs throughout the branch and incubator network, thus further contributing to employment creation agenda in Botswana.

SMEs Graduating

During the 2019-20 financial year, 25 SMEs graduated from the branch and incubator network, having completed their capacity development plans and ready to operate sustainably with minimal LEA handholding. Graduated SMEs are a further demonstration that LEA business interventions offered to the enterprises are effective and capable of transforming the beneficiary enterprises to start, grow and expand.

Market Access Facilitation

Several initiatives were carried out during the year to facilitate exposure of clients' products and services to the markets. These included SMMEs participation at various trade fairs, market days, buyer seminars and district shows to exhibit their products, meet potential buyers/consumers and establish supply opportunities. It is at these fora also where SMMEs network, benchmark best industry practice and gather feedback on market requirements. In this regard, the Authority secured market linkages valued at P19.27m during the 2019-2020 financial year to supply among others the retail sector, Government institutions, hospitality industry and the public in general.

A total of 88 LEA assisted enterprises attended trade fairs that included: Business Botswana Northern Trade Fair, Ghanzi Agricultural Show, Botswana Youth Expo, Global Expo, National Agricultural Show, Consumer Fair, Botswana Travel and Tourism Expo, Indaba Travel and Tourism Expo and Southern African International Trade Exhibition (SAITEX). On the other hand, 607 SMMEs exhibited and marketed their products and services at monthly flea markets hosted by LEA branches. These exhibitions enable the producers to perfect their products using the feedback gathered from the consumers, and gain market acceptance and competitive edge.

Development Of Innovative, Competitive And Sustainable SMMEs (Continued)

Furthermore, effort was exerted during the year to identify SMEs with export potential, and prepare them for the export market. Some were enrolled in the Botswana Export Development Programme that is coordinated to acquire the necessary capacity building and training to enable them to export in the near future.

Import Substitution

In support of the national agenda goal of driving local production of goods and services, the Authority prioritized import substitution and guided SMMEs to produce commodities such as horticultural products, beauty products, bottled water and processed meat product. In this regard, the Authority attained import substitution valued at P21.3m against a target of P8.0m. Further analysis of the import bill will be made to identify more products with potential for production locally.

Project Facilitation Fund

The Project facilitation fund (PFF) is a collaborative initiative by LEA and CEDA, that assists SMMEs to overcome statutory requirements that usually impede businesses to start or expand. These are usually components that must be carried out by the entrepreneur, prior to accessing the project loans. They include Environmental Impact Assessment (EIA) studies, soil testing and engineering designs among others.

The fund has so far unlocked potential and enabled SMMEs in the Tourism, Manufacturing, Services and and Agriculture sectors to attain EIA, Environmental Management Plans, standards certification, architectural and structural drawings, valuation reports, bill of quantities, soil testing, geo-technical and topographic surveys.

Outreach programme

LEA continues to participate in outreach activities intended to create awareness on the LEA mandate and services, to reach out more to the populace especially in areas where LEA does not have offices. These include Kgotla meetings, workshops and mobile stops that

also present an opportunity for LEA to recruit new entrepreneurs to register and receive capacity building interventions from LEA.

Resource Centres

All LEA branches and incubators are equipped with resource centres that enable SMMEs to access online research material and business publications to benefit their businesses. The centres also provide services such as copiers, printers, scanners and document binders, which SMMEs use at subsidized rates.

CAPACITY BUILDING

The Authority continued during the year to provide targeted business development and support services to the entire SMME spectrum, including those that only have ideas and need assistance to refine concepts for commercialization, as well as existing businesses that need specific interventions to leapfrog and expand.

Training and skills development

Training and skills development initiatives were carried out with 736 entrepreneurs trained on business planning, records keeping and Entrepreneurship Development Training during the 2019-20 financial year. In addition, LEA offered Entrepreneurship Awareness Workshops (EAW) to 78 participants and employees of various institutions who needed to equip and empower their Staff with business management skills.

Coaching and mentorship

On-site coaching and mentoring services remain paramount in supporting SMMEs and implementing their capacity development plans and growth strategies. During the review period, advanced interventions were offered to 49 enterprises in the form of website development, Branding, Packaging & Labelling, Management systems, ERP system, company policies, product testing and Quality Management Systems (QMS) certification. These targeted interventions assist in positioning the enterprises and attaining competitive edge in the market, as well as improving business management, competitiveness and compliance to quality standards.

LEA Incubation Programme

FRANCISTOWN INDUSTRIAL BUSINESS INCUBATOR

The Francistown Industrial Business Incubator (FIBI) is a light manufacturing industry and services center, which provides business and technical interventions to accelerate the incubated enterprises into competitiveness and sustainability. During the 2019-20 financial year, the incubator operated at 72.7% occupancy level, with the eight incubated enterprises creating 28 jobs in total.

Businesses incubated at FIBI engage in various activities including water purification and bottling, cleaning chemicals manufacturing, printing and advertising services, textiles and embroidery, aluminium products production, upholstery services, custom-made furniture and egg incubators manufacturing. Due to LEA interventions, the incubatees have realized growth and captured various markets including car dealerships, the mining sector, retail and chain stores, Government institutions, private sector and the general public.

In addition, the incubator conducted bakery/confectionary and cleaning detergents manufacturing training for 26 and 13 entrepreneurs respectively. Twelve out of the 39 who graduated from this training are now fully operational, after securing funding from the Youth Development Fund and other Government funding programmes. In order to stimulate new industries and further upscale SMMEs, two factory shells have been reserved at FIBI to house a bottle blowing machine which will ensure consistent availability of bottles to the SMMEs in the water and beverages industry. One business graduated during the year and it is now successfully operational outside the incubator.

PILANE MULTI PURPOSE INCUBATOR

Pilane MultiPurpose Incubator focuses on food processing and light industrial manufacturing. The incubator provides technical and business interventions to enable the incubated enterprises to scale up and grow. During the 2019-20 financial year the incubator operated at 93% occupancy level, creating 52 jobs out of the nine (9) businesses incubated. Four enterprises specialized in foodstuffs such as meat and meat products processing, relish & condiments, indigenous foods processing and beverage bottling. Five businesses concentrated on light manufacturing of commodities such as hair products, cleaning chemicals, carpentry, gifts engraving and blinds manufacturing.

The incubated enterprises increased production capacity over the year, resulting in transition from Micro stage of development to Small and Medium Enterprise level. LEA facilitated business linkages and market access for the incubated businesses, and they currently supply the retail sector, Government institutions, private sector and individual members of the public.

LEATHER INDUSTRIES INCUBATOR

This specialized leather industries incubator continues to hand-hold the incubated enterprises and nurture their skills in leather products manufacturing. During the period under review, the leather incubator had eight clients producing various leather products including footwear, hand and luggage bags, tool kit bags, hand and leather inspired accessories and upholstery services. LEA continues to build their capacity and skills base, as well as enhance market access for the incubated enterprises through business linkages, resulting in market penetration and supplying among others the mining sector, Government institutions, the private sector and individual members of the public. The eight businesses under incubation during the 2019-20 financial year created employment for 24 people, and two graduated to set up businesses outside the incubator.

GLEN VALLEY HORTICULTURE INCUBATOR

The Glen Valley Horticulture Incubator drives the authority's mandate through 'Training with Production' model where both aspiring and existing horticulture entrepreneurs are nurtured. During one cropping cycle (nine months), trainees are equipped with practical and technical skills to enable them to manage competitive and sustainable horticulture projects on their own, including business management and plant protection training.

The intervention entails the execution of a standard training programme (curriculum) on horticulture production with emphasis on hands on and practical exposure on crop husbandry. The main crop used for training is tomato (table tomatoes and cherry) and sweet pepper, which are produced under protected environment. Open field production was also demonstrated for crops such as cauliflower, lettuce, broccoli and sweet pepper. Trainees were exposed to different horticulture technologies such as greenhouses, tunnels, net houses, hydroponic growing system and

LEA Incubation Programme (Continued)

open field cultivation so that they can make informed decisions on the choices of production methods to use post incubation. A total of forty-two (42) individuals underwent training during the year with 18 trainees graduating while 24 are expected to graduate in June 2020. In the process of training, the incubator produced tomatoes and pepper which were sold to the retail chain stores, fresh vegetable distributors and the informal sector in the food catering service. Furthermore, the incubator offered a platform for benchmarking by various institutions such as schools, Government Institutes and individuals interested in establishing horticulture projects.

KUTLA INCUBATOR CENTRE

Kutla Incubation Centre focuses on the provision of practical, technical and business management training to the trainees, with the view to assist them gain production skills so that they can successfully operate their businesses post incubation. During the review period, a total of 40 trainees received training on bakery & Confectionery (17), detergents and toilet roll manufacturing (23).



Leather Industry Park

The Leather Industry Park (LIP) concept began in 2012 when the first market study was conducted on the feasibility of establishing the leather industry park with a common effluent treatment plant. The study also assessed the growth potential of the leather industry in Botswana.

This was followed by a series of studies that sought to establish a sustainable business model that could be implemented under the local prevailing conditions.

The business model that was found to be in alignment with in the country's National Development Plans and Vision 2036 was the one that advocated for Government to provide an enabling environment as a public good and private sector operating the project. The model also advocated for strengthening the leather industry value from upstream, processing and downstream.

The LIP will contribute towards the Sustainable Development Goals (SDGs) by ensuring that rural communities participate meaningfully in the economy by supplying the LIP with good quality hides and skins. Through this project, farmers will not only be compensated for supplying meat, but will also diversify their income stream by playing a key role in the leather industry value chain. Furthermore, the employment opportunities that will be created at the LIP will address challenges such as poverty and unemployment among others.

The following milestones have so far been achieved:

- Completion of Environmental Impact Assessment Study and Management Plan.
- Approval of the leather park detailed designs, followed by issuance of a building permit.
- Review of supporting legislation specifically the Cattle Branding Act and the Hides and Skins Export Act

- Stakeholder consultation and engagement of stakeholders such as hides and skins collectors, farmers associations, slaughter facilities, artisan tanners, leather products manufacturers, Botswana Meat Commission, Lobatse Town Council, Training and skills development institutions, Botswana Power Corporation, Water Utilities Corporation and the Ministry of Agricultural Development and Food Security.
- Revision and approval of the Leather Industry Park Business Model and funding to develop a modern, sustainable and profitable leather industry park that will meet standards recommended by international bodies such as United Nations Industrial Development Organisation (UNIDO), the Leather Working Group (LWG) and Energy Controlled Leather (ECOL).

In the revised business model, Government will provide the bulk infrastructure for the Leather Park, which includes the Common Effluent Treatment Plant (CETP), Secure Land Fill Facility (SLF), Chrome Recovery Unit, treated waste water treatment plant, Roads and Utilities. Furthermore, Government will provide one fully equipped tannery, and the private sector will lease and operate three tanneries and manufacturing factories in the Leather Park.

Information Technology

The implementation of Customer Relationship Management (CRM) started during the year, with the system now undergoing User Acceptance Testing. The CRM system capabilities will enable interaction and monitoring of the clientele, in the process coordinating the SMME database and easing access to information.

In the second quarter of 2019/2020 LEA implemented a least cost routing technology which saw telephone calls reduce by 45%. By February 2020, LEA had realized an average of 45.12 % cost saving on all calls made from fixed lines to cellphones.

Still in 2019/2020 the Authority implemented Bulk SMS and USSD platforms. The Bulk SMS platform enables LEA to broadcast information such as notices, events and training dates to its clients. The USSD platform facilitates registration of clients via mobile device which makes it convenient for potential SMMEs to register from anywhere using their mobile phone.

Installation of WIFI Solution across all LEA stations was completed during the financial year. This initiative is intended to extend the network to mobile devices and allow staff mobility in work areas, as well as to provide internet access to entrepreneurs as they visit and use LEA resource centres.



Human Capital

The Human Capital function at LEA provides strategic support to the business in the areas of talent management, talent acquisition, employee relations management, organizational development support, performance management, change management and human capital development.

During the year under review, LEA started the process of assessing the Human Capital function and developing a transformation programme that will deliver a more capable and technology enabled function. This is intended to attract, retain and motivate employees as the organization embarks on developing new ways of working to remain relevant to our stakeholders and clients in the long term.

Culture Transformation and Change Management

The Business Model Review that commenced during the 2018-19 financial year continued into the 2019-20 financial year, with the actual implementation of the new organisational structure. The recruitment process was carried out, followed by separations and placement of Staff.

Following the completion of the Business Model Review and Restructuring exercise, LEA started the process of implementing a Change Management initiative with the objective to drive the Change Management elements of the LEA transformation, which entail facilitation of an entrepreneurial and cohesive culture, changing leadership behaviours; as well as transformation of the Human Resource process and talent management processes.

The change management project is further meant to achieve the following:

- Transformation of the LEA Organizational Culture in line with the new strategic agenda and to deliver on LEA's strategic intention of being the **"Go to Guys in Business"**.
- Improve employees Capacity through enhancing Human Resources Strategic, Core and Operational Processes.
- Enhance LEA Leadership effectiveness and enhance their capabilities to lead change, provide effective sponsorship of initiatives and drive performance.

Leadership Development

The successful execution of the revised LEA Strategy centres around the quality and competency of the leadership, to motivate, engage and inspire the rest of the workforce to deliver the strategy, programmes and projects intended to develop entrepreneurship and SMME development in Botswana. Still in 2019-20 financial year, LEA conducted leadership assessment for employees from Business Executive level and above to gauge their leadership capabilities. The plan is to roll out a more cohesive leadership development programme across LEA to ensure that the organisation always has a pool of competent leaders who are driven, visionary, transformational, entrepreneurial and resilient enough to successfully transform LEA and drive the aspired culture.

HR Digital Transformation

LEA has implemented a new technology solution to achieve digital enablement of our employee experience; and the solution is expected to improve the effectiveness of our recruitment, employee engagement, learning, talent management and reward processes. In addition to the already functioning automation of Payroll, Leave Management and Employee Self Service, automated recruitment process has been launched for the online application and shortlisting.

Going forward, the focus will be on implementing more technology solutions such as performance management, personnel management and job profile management to ensure optimal use of employee data. This will enable line managers to be more analytical and data driven, leading to more effective people management. More focus on the interpretation of data will provide new insights, and drive business specific decisions.

Human Capital (Continued)

Employee Wellness and Support

The employee psycho-social support through counselling and advisory services was offered continually during the year, to help employees and their families cope with the effects of restructuring and any other psycho-social challenges they experience. This was done by an independent service provider who also launched the eCare (online wellness portal), a comprehensive online health engagement programme that is availed to employees through an interactive portal and weekly HealthBytes (emails), thereby ensuring that the wellness programme is incorporated into 'users' lives during working hours and beyond. This innovative platform with credible wellbeing content offered information and practical tools to equip employees with the resources, knowledge and motivation for behaviour change and to live healthier and more productive lives.

In addition, the Authority hosted a **"One Point Assembly"** team building Staff retreat, with all LEA employees converging in one centre. The objective of this interactive event was to pave way for the change management exercise by bringing together all LEA employees in one place to express gratitude for all the hard work and to allow employees to reflect and build relations with one another in a relaxed environment with open communication.

Employee Relations

LEA continued to engage with the Union (Botswana Public Employees Union) in a very transparent manner in line with the Collective Labour Agreement, on matters affecting LEA staff welfare, particularly on issues of re-structuring and the review of the conditions of service.

Staff Establishment

As at 31st March 2020, the Authority's staff complement stood at 118, with majority of employees placed within the core business departments.

Government Internship Programme

LEA supports the Government Internship Programme by attaching university graduates for them to gain work experience and prepare them for employment in future. During the 2019-20 financial year, 11 Internship students were attached in various LEA Departments including Finance, Procurement, Marketing and IT.



Strategic Collaboration

Strategic alliances and partnerships were further forged during the year, in addition to stakeholders engaged during the previous financial year. Additional work was carried out to progress the existing partnerships, and more institutions were identified to complement our mandate for impact driven initiatives. The Authority collaborated with the following partners during the 2019/20 financial year:

Botswana International University of Science and Technology

This collaboration saw several SMMEs accessing BIUST laboratories and performing soil testing services especially the farmers, who need to have the soil types and properties for their farms to appropriately inform decision making in terms of cropping plans. The two institutions also collaborated to produce 20000 bar soaps and 21000 liquid of liquid detergents, with LEA availing detergent mixers for production of COVID 19 donations to various communities.

A business plan is currently under development for commercialisation model and uptake of BIUST prototypes, which will include soaps and sanitizers. Furthermore, plans are underway to have LEA presence on campus during the 2020/21 financial year, to consistently facilitate BIUST students with business advisory services and introduce enterprise development as an alternative to formal employment.

Ministry of Youth Empowerment Sport and Culture Development

LEA has started to register the YDF beneficiaries and develop their capacity development plans which entails the targeted interventions needed to scale up each business; and how LEA will capacitate youth businesses to operate businesses commercially, grow and pay back the Youth Fund. LEA to implements an M&E framework to assess impact of interventions administered.

International Trade Centre

EA and ITC partnered for the conduct of the SME Competitiveness and Needs Assessment Survey, which was successfully completed in November 2019. The survey results report was disseminated to stakeholders in December 2019, for their appreciation of study findings and recommendations to inform policy and fit-for-purpose developmental programmes necessary to develop the SMME sector. Going forward, ITC will

assist LEA with technical expertise in the undertaking of any research work intended to advance the SMME sector.

BOTHO University

The partners collaborate in the area of entrepreneurship and SMME development. The parties will also collectively offer capacity building programmes necessary to support potential and existing SMMEs. MOU signed March 2020. BOTHO students have started developing a website for LEA clients at Leather incubator. Botho partnership opened an opportunity for networking with Angel Investors Botswana. An introductory session will be held in June 2020 for selected SMMEs to be briefed on assistance available and requirements to benefit

First National Bank of Botswana

This partnership is premised on the establishment of an innovation and tech-based incubator within Kutla incubation centre premises. FNB will undertake infrastructure refurbishment, whilst LEA delivers the incubation training programme. Detailed Designs have been submitted to GCC for approval. Concurrently, Incubation model/programme development is underway with assistance of the University of Cape Town. The operating model will include components such as selection criteria; modules, targeted mentorship, capacity building to be offered during the incubation period, and plan post incubation to support the graduates. We expect to receive the first cohort for incubation during Q2 of 2020/21.

Citizen Entrepreneurial Development Agency

LEA and CEDA launched the project facilitation fund in May 2019, to primarily offer financial assistance to high impact SMME projects showing ability create employment, reduce the import bill or and diversify the economy. The fund covers statutory requirements but prohibitive pre-project components that include Environmental Impact Assessment studies and

Strategic Collaboration (Continued)

structural designs, which have over time proven to discourage SMMEs to start otherwise high impact projects.

Debswana

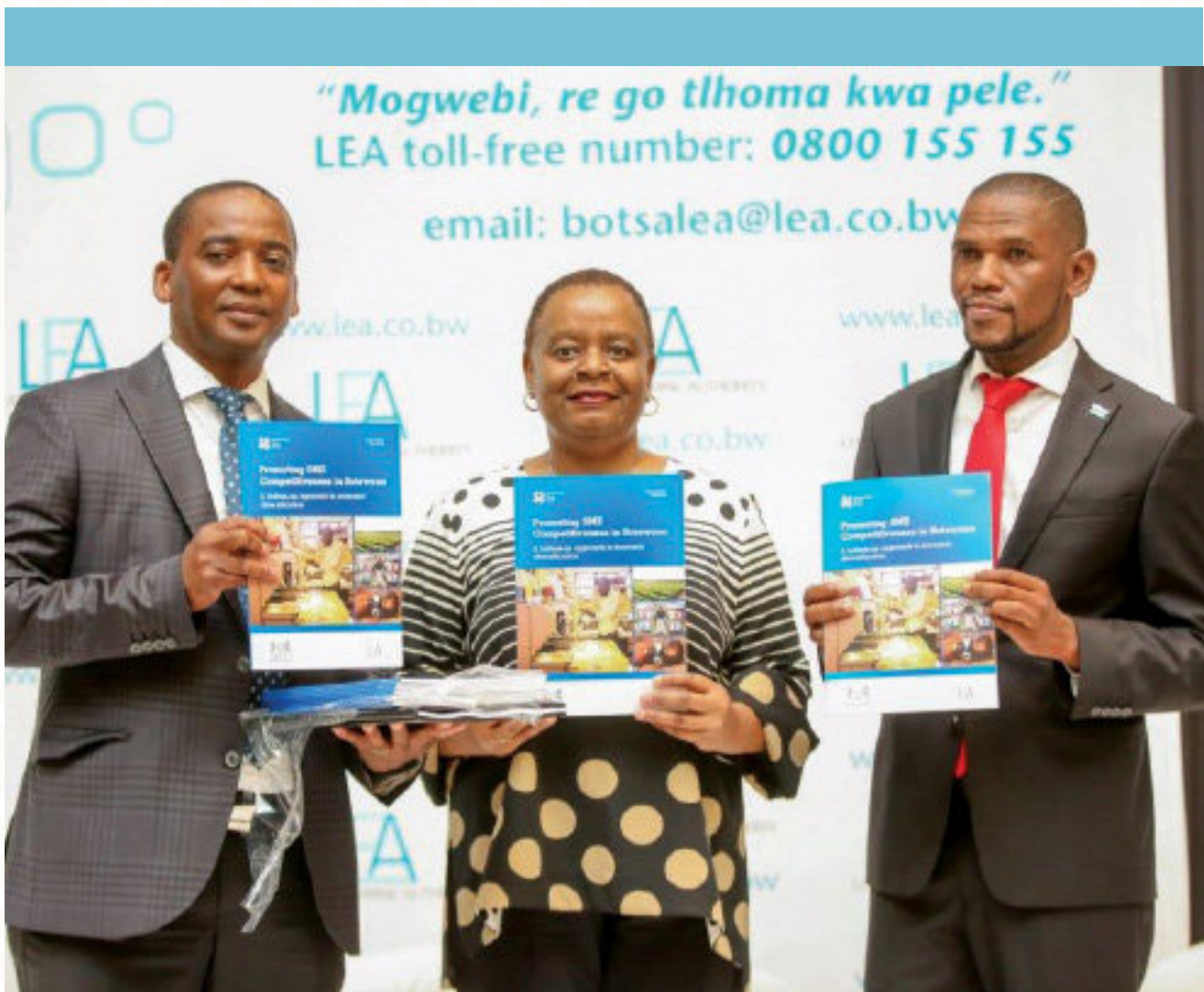
LEA partnered with Debswana for the production of 274000 cloth face masks worth to be used by Debswana Staff and front line workers in the fight against COVID 19. LEA mobilised 59 SMMEs across the country for this activity, and we continue to monitor this production, compliance to product quality standards and timely deliveries to the client.

DUBAI Expo

LEA entered into a partnership Dubai Expo for Small and Medium Enterprises participation in the Dubai Global Entrepreneurship Programme, which aims to

accord Botswana selected SMEs an opportunity to network, manufacture and market their products in Dubai. Facilitation will include business linkages and hand-holding the producers to ensure that they have all the necessary inputs to supply as per the Dubai market requirements.

In addition, partnership engagements are in-progress with more stakeholder institutions to collaborate on impactful initiative in furtherance of entrepreneurship and SMME development in Botswana. These include Absa Bank, Institute of Development Management, Botswana Institute for Technology Research & Innovation, National Development Bank, and Human Resources Development Committee.



GRADUATED ENTERPRISES

2019/2020



LOCAL ENTERPRISE AUTHORITY



AMO NOZZIE DEE

Director	Amos Boikaego Sebudubudu
Location	Mmankodi
Product/Service	•Blinds Manufacturing and Servicing
Number of employees	3
LEA Interventions	<ul style="list-style-type: none"> • Trade and Manufacturing license Acquisition • Business plan development and access to funding • Training on Record Keeping; business planning • Awareness workshop on Intellectual Property; Occupational Health & Safety; Labour Relations; Regulatory Compliance on Botswana laws; Public Procurement • Quality & Productivity Gap Analysis • Procurement Seminars • Facilitation of market access and Trade fairs participation • Business coaching and mentoring





AFRICAN HOME

Director	Abi Mbaakanyi
Location	Gaborone
Product/Service	<ul style="list-style-type: none"> • Hotel (Accommodation, Conference Facilities, Restaurant and Catering Services)
Number of employees	45
LEA Interventions	<ul style="list-style-type: none"> • Business plan development • Technology Audit • Marketing Strategy and Market Access facilitation • Trade fairs participation • Training on Customer Care • Enterprise Monitoring, Business Counselling and Coaching.





BEST PHILOS T/A BOTSHELO HOTEL

Director	Letta Bankgotsi Lian
Location	Maun
Product/ Service	<ul style="list-style-type: none"> • Hotel (Accommodation, Conference Facilities and Restaurant Services)
Number of employees	29
LEA Interventions	<ul style="list-style-type: none"> • Enterprise Monitoring and coaching • Technology Awareness and Sourcing • Business plan development and access to funding





BIO FLASH TECH INVESTMENT

Director	Beauty Mokobela
Location	Maun
Product/Service	<ul style="list-style-type: none"> • Concrete Products (bricks, pavers, curbstones, pillars, lentils)
Number of employees	23
LEA Interventions	<ul style="list-style-type: none"> • LEA factory shell space • Business plan development • Application for business plot • Market gap analysis • Training on Record Keeping, Quality & Productivity improvement, bricks manufacturing technical training • Procurement Seminars • Awareness workshops on Tendering and procurement process, EDD Registration, Technology awareness • Branding, Packgaing & Labelling • Business linkages and market access facilitation • Trade fairs participation • Enterprise monitoring and coaching





COPEL RANCHO

Director	Cecilia Opelokgale
Location	Serowe
Product/ Service	<ul style="list-style-type: none"> • Broiler Production • Abattoir Services
Number of employees	8
LEA Interventions	<ul style="list-style-type: none"> • Branding and Packaging • Entrepreneurship Development Training • Facilitation of Market Access opportunities • Business Coaching and Mentorship • Quality and Productivity Gap Analysis

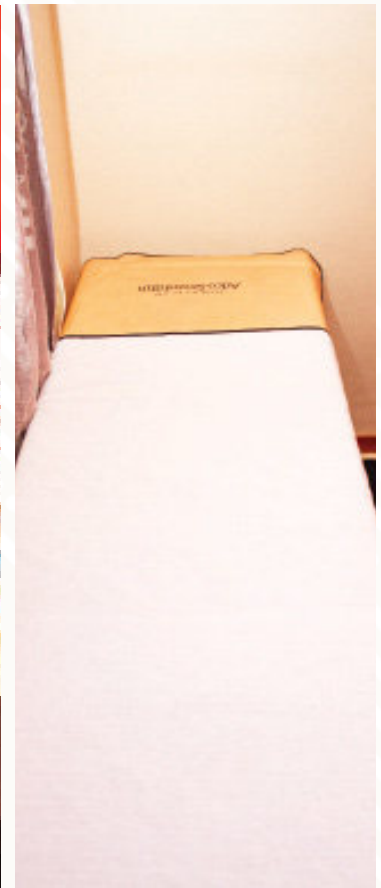




DEEP SANDS LODGE

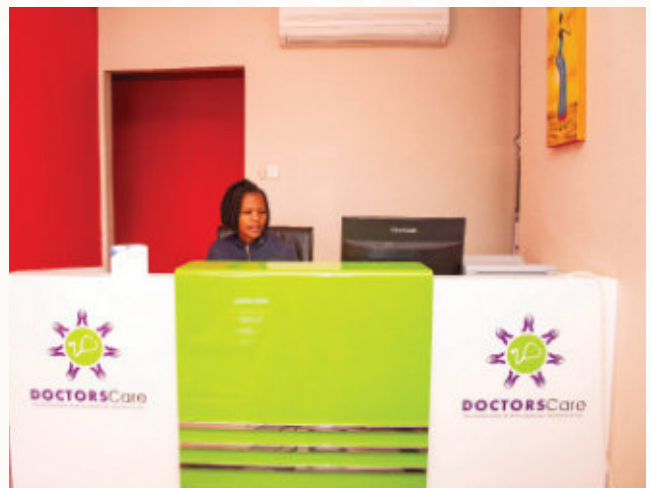
Director	Juliana White
Location	Tsabong
Product/Service	<ul style="list-style-type: none"> • Lodge (Accommodation, Restuarant and Catering Services)
Number of employees	6
LEA Interventions	<ul style="list-style-type: none"> • Training on customer care, Record keeping • Human Resouces coaching • Market access facilitation • Trade fairs participation and business linkages • Business monitoring

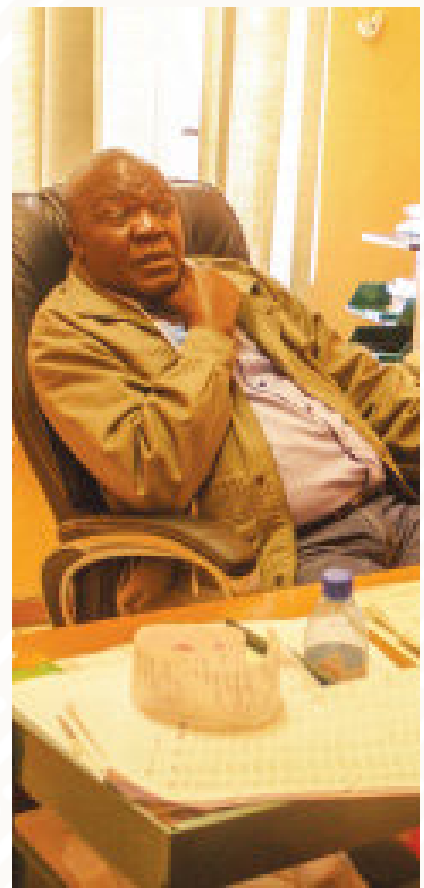




DOCTORS AID (PTY) LTD

Director	Derrick Tlhoiwe
Location	Gaborone
Product/Service	<ul style="list-style-type: none"> • Medical Aid Services
Number of employees	53
LEA Interventions	<ul style="list-style-type: none"> • Enterprise Monitoring • Business Counselling and Coaching • Trade fair participation and market linkages





HILL STONE INVEST

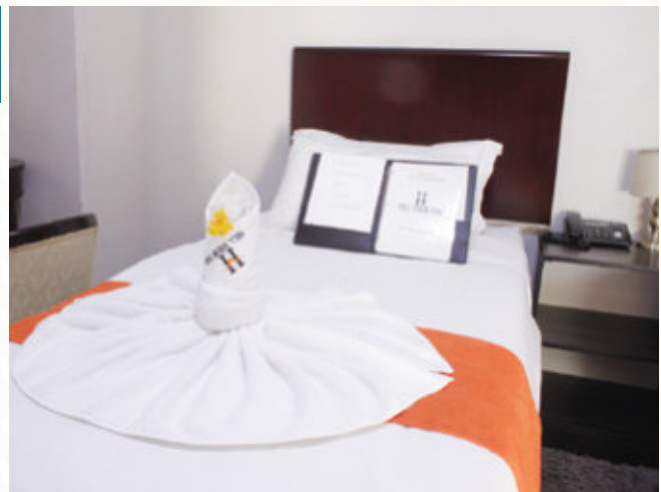
Director	Bayapo Boitshoki
Location	Gweta
Product/Service	<ul style="list-style-type: none"> • Shopping Complex (General Dealer, Restaurant, Butchery and Bar)
Number of employees	18
LEA Interventions	<ul style="list-style-type: none"> • Enterprise monitoring • Business Counselling and Coaching, • Technology Audit • Training on Customer Care, Record Keeping, Food Handling and Safety Awareness





INVESBOTS T/A HILL VIEW INN

Director	Kefentse Tlhalerwa
Location	Serowe
Product/ Service	<ul style="list-style-type: none"> • Lodge (Accommodation, Conference Facilities, Restaurant and Catering Services)
Number of employees	15
LEA Interventions	<ul style="list-style-type: none"> • Training on customer service, food handling and hygiene, Record Keeping, Entrepreneurship Development • Branding & Packaging • Facilitation of market access and business linkages • Technology Audit • Business coaching and monitoring

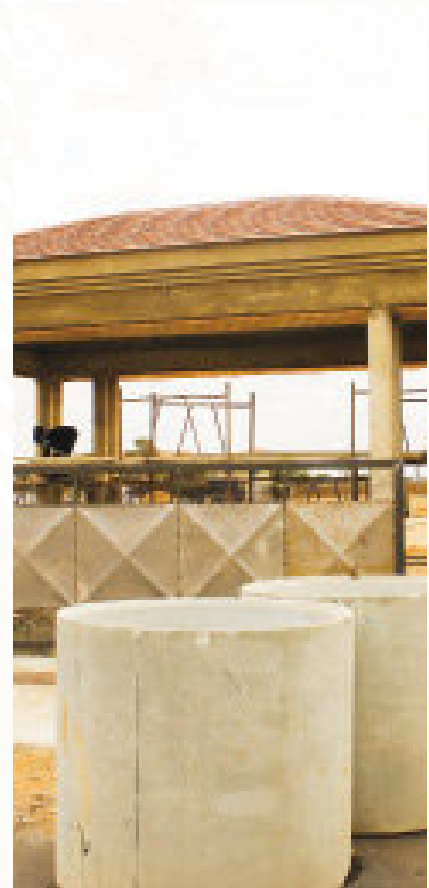




LADY BIRD POULTRY

Director	Edward Motsewabeng
Location	Mmankodi
Product/Service	• Poultry (Egg Production)
Number of employees	10
LEA Interventions	<ul style="list-style-type: none"> • Business plan development and access to funding • Training on Record keeping, Entrepreneurship development, Sales and marketing • Branding, Packaging & Labelling • Intellectual Property Rights & Parenting Awareness • Intergrated Poultry Management System • Market access facilitation • Business Monitoring and Coaching

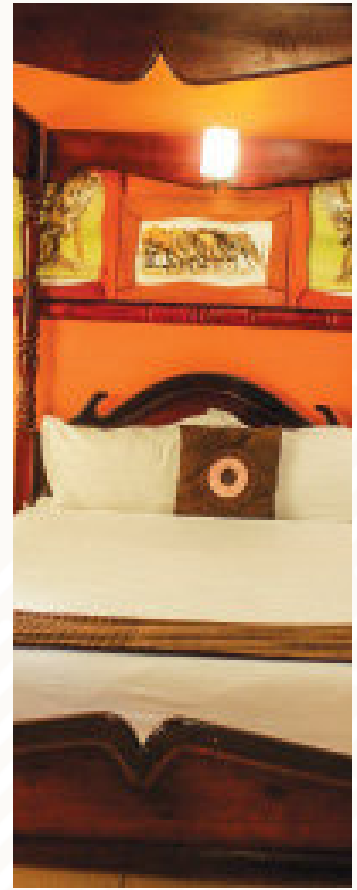
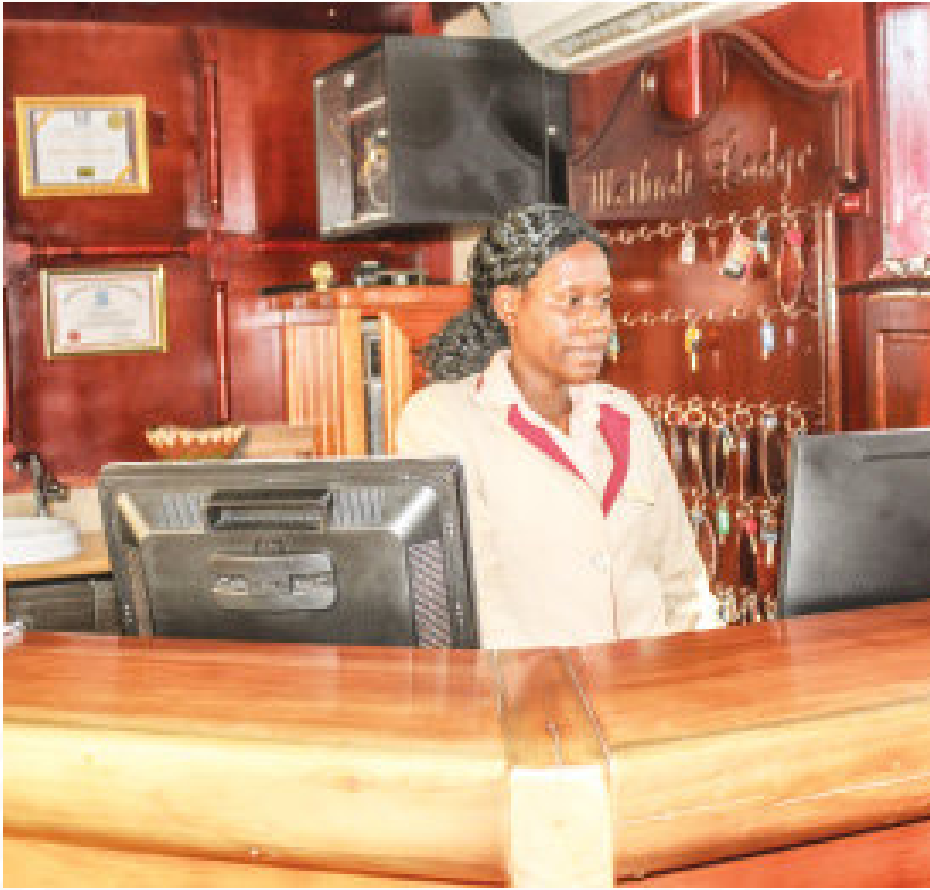




MAKWAPA INVESTMENTS

Director	Matshediso Makwapa
Location	Palapye
Product/ Service	<ul style="list-style-type: none"> • Shopping Complex (Office Spaces, Retail Shops)
Number of employees	3
LEA Interventions	<ul style="list-style-type: none"> • Branding and Packaging • Training on Records Keeping and Entrepreneurship Development • Quality and Productivity Gap Analysis • Facilitation of Market Access • Business Coaching and Monitoring

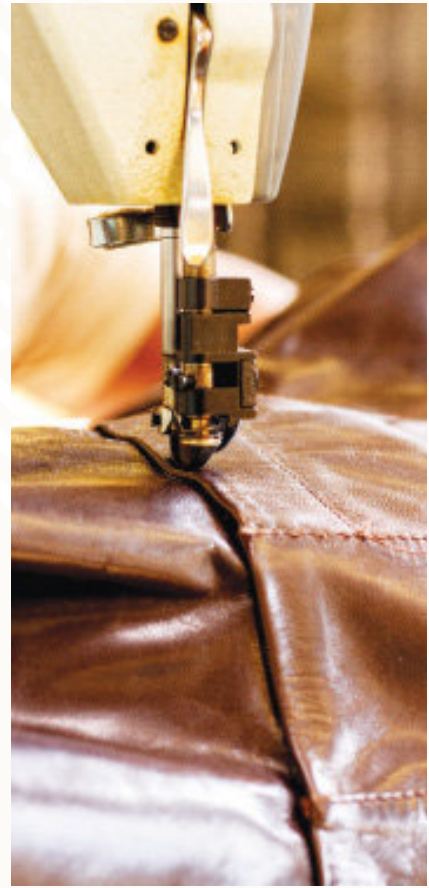




MATHUDI SHADES

Director	Matshediso Makwapa
Location	Palapye
Product/Service	<ul style="list-style-type: none"> • Hotel (Accommodation, Conference Facilities Restaurant and Catering Services)
Number of employees	40
LEA Interventions	<ul style="list-style-type: none"> • Branding and Packaging • Trainings on Customer Care Record Keeping, Entrepreneurship development, Food Handling and Hygiene • Facilitation of Market Access, Business Coaching and Monitoring • Quality and Productivity Gap Analysis • Technology Audit





MOAHI PRODUCTS

Director	Botlhe Moahi
Location	Mmankodi
Product/Service	<ul style="list-style-type: none"> • Leather Products (Belts, wallets and bags)
Number of employees	3
LEA Interventions	<ul style="list-style-type: none"> • Training on Records Keeping, Leatherworks and Leather Machinery operation • Facilitation of Access to funding Business Plan Development and access to funding • Facilitation of Market Access, Business linkage and trade fairs participation • Records Management • Branding, Packaging and Labelling • Business Incubation Programme





MOIYABANA BRICK MOULDING

Director	Basaakane Ogotseng
Location	Moiyabana
Product/Service	<ul style="list-style-type: none"> • Stock Bricks (4-inch, 6-inch) • Pavers
Number of employees	6
LEA Interventions	<ul style="list-style-type: none"> • Financial Viability Tool • Training on Records Keeping and Entrepreneurship development • Sales and Marketing • Business Coaching and Monitoring





MOLEPS HORTICULTURE

Director	Koketso Koagile
Location	Molepolole
Product/ Service	<ul style="list-style-type: none"> • Horticulture (Cabbage, Tomatoes, Onions, Green pepper) • Orchard (Orange and Mango)
Number of employees	5
LEA Interventions	<ul style="list-style-type: none"> • Training on Record Keeping and Entrepreneurship development • Horticultural Farmers Workshop, • Branding, Packaging and Labelling • Quality and Productivity Awareness • Trademark Registration





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MONATE WA TEMO

Director	Atamelang Kooagile
Location	Molepolole
Product/ Service	<ul style="list-style-type: none"> • Milling (Sorghum Meal, Mosutlhane, Ntlatlawane, Moroko)
Number of employees	12
LEA Interventions	<ul style="list-style-type: none"> • Business plan development and access to funding • Training on Food Safety and Hygiene, management system and Implementation, Product testing • Awareness workshop on Tax clearance & Registration, barcode registration, Tendering and procurement process, EDD Registration • Technology audit and gap analysis • Procurement Seminars • Trade fairs participation and market access linkages • Business coaching and mentoring





OJ METALS

Director	Mompati Joina
Location	Francistown
Product/ Service	<ul style="list-style-type: none"> • Metal Scrap (Steel, Batteries, Copper, Brass)
Number of employees	6
LEA Interventions	<ul style="list-style-type: none"> • Business Coaching and Mentoring, Market Gap Analysis, • Training on Records Keeping, Business Planning, Occupational Health and Safety, Entrepreneurship development • Implementation of Financial Procedures and Processes. • Facilitation of Insurance Cover for Employees • Technology Audit and Sourcing • Branding, Packaging and Labelling • Market linkages and trade fairs participation • Enterprise monitoring and coaching





PIHI AGROCHEMICALS	
Director	Pius Malikongwa
Location	Francistown
Product/Service	<ul style="list-style-type: none"> • Agricultural Shop (Insecticides, Fungicides, Herbicides, Fertilizers, Medication and Dips for animals). • Consultations and Soil Testing Services • Packaging of Fruits and Vegetables
Number of employees	6
LEA Interventions	<ul style="list-style-type: none"> • Business Plan development • Business Advisory Services • Trade Fair Participation and Market Linkages, Procurement Seminars • Procurement Seminars • Technology Sourcing • Training on Customer Service, and Entrepreneurship development





RAPHA MEDICAL

Director	Karabo Modise
Location	Letlhakane
Product/ Service	<ul style="list-style-type: none"> • Private Clinic- Medical Services, X-Ray, Medical Examinations
Number of employees	7
LEA Interventions	<ul style="list-style-type: none"> • Training on Record Keeping, Entrepreneurship development, Customer Service • Business Coaching and Monitoring • Branding and Packaging • Facilitation of Market Access • Quality and Productivity Gap Analysis





RATOCCS GARDEN

Director	Kagiso Johane
Location	Francistown
Product/Service	<ul style="list-style-type: none"> • Horticulture (Tomato, Onion, Lettuce, Beetroot, Green pepper, Butternut, Cabbage)
Number of employees	8
LEA Interventions	<ul style="list-style-type: none"> • Business Plan development • Trade Fair participation and Market Linkages, Procurement Seminar • Procurement Seminars • Technology Audit and Sourcing • Benchmarking at Glen Valley Horticultural Incubator and Dicla Farm & Seed in South Africa • Farm Management Practices, Protected farming and Entrepreneurship development • Business Advisory services • Branding packaging and labelling • Mentoring services





SESHEKE INVESTMENTS

Director	Naomi Makhondo
Location	Kazungula
Product/Service	<ul style="list-style-type: none"> • General Dealer
Number of employees	7
LEA Interventions	<ul style="list-style-type: none"> • Business Advisory Services • Training on Record Keeping, Business Planning and Entrepreneurship development, Customer Care, Food Handling and Safety • Facilitation of Market Access and business linkages





SHUMBA LODGE

Director	Edward Toteگو
Location	Tutume
Product/ Service	<ul style="list-style-type: none"> • Lodge (Accommodation, Conference facilities, Restaurant and Catering services)
Number of employees	34
LEA Interventions	<ul style="list-style-type: none"> • Business Advisory Services • Business Mentoring and Coaching • Facilitation of Lodge Grading • Facilitation of Market Access and Business Linkages • Trade fairs Participation • Training on Food Safety & handling and Safety, Entrepreneurship development and Tourism sector training • Technology Gap Analysis





TEBOGO SEBEGO ATTORNEYS

Director	Tebogo Sebego
Location	Gaborone
Product/Service	Law Services (Civil and General Litigation, Conveyancing, Employment and Labour Law, Property Law, Land Law, Administration of Estate, Commercial Law)
Number of employees	16
LEA Interventions	<ul style="list-style-type: none"> • Quality Management System certification • Enterprise Monitoring • Business Counselling and Coaching





THE SNOOZ INVESTMENTS (PTY) LTD

Director	Magdeline Moampe-Tapela
Location	Gaborone
Product/Service	<ul style="list-style-type: none"> • Hotel (Accommodation, Conference Facilities, Restaurant and Catering Services)
Number of employees	45
LEA Interventions	<ul style="list-style-type: none"> • Business Plan development • Trade Fair Participation and Market Linkages • Business Coaching and Monitoring





HERITAGE LEGACY

Directors	<ul style="list-style-type: none"> • Lorato Bogopa • Pheny Seleke
Location	Gaborone
Product/ Service	<ul style="list-style-type: none"> • Leather and mokolwane weaved products (Belts, wallets and bags)
Number of employees	3
LEA Interventions	<ul style="list-style-type: none"> • Training on Entrepreneurship development • Designing, Cutting and Stitching of Leather products • Trading License Acquisition • Business Plan Development • Facilitation of Market Access and business linkages • Trade Fairs Participation • Branding, Packaging Training and labelling • Business Incubation



ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2020

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BOARD MEMBERS' REPORT

for the year ended 31 March 2020

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 2020.

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 72 to 105. The Authority generated a net surplus of P84,866,043 for the year ended 31 March 2020 (2019: deficit of P75,442,079).

Name	Role
Mr Mokgethi Frederick Magapa	Chairman
Dr Haniso Motlhabane	Member
Dr Lucky Odirile	Member
Ms Bonolo Champagne	Member
Ms Henrietta Sethebe Manake	Member
Mrs Keganele Malikongwa	Member
Ms Patience Motswagole	Member
Mr Mokgethi Nyatseng	Member
Mr Dumit Lopang	Member
Ms Omphemetse Chimbombi	Member

Registered office

Fairscape Precinct, Lot 70667 Building 1
Ground floor Unit 2A
Private Bag 191
Gaborone, Botswana

Secretary

Grant Thornton
Acumen Park Plot, 50370 Fairgrounds
Gaborone

Auditors

KPMG
Plot 67977, Off Tlokweng Road
Fairgrounds Office Park, 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

BOARD MEMBER'S RESPONSIBILITY STATEMENT for the year ended 31 March 2020

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 as at 31 March 2020, 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.

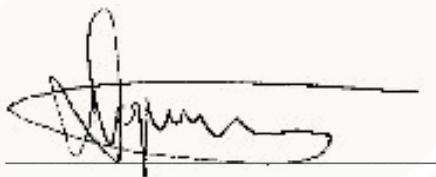
The Board members are also responsible for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system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

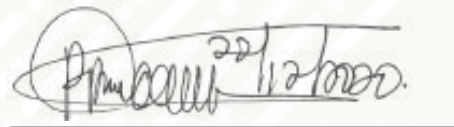
The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements:

The financial statements of Local Enterprise Authority, as identified in the first paragraph, were approved by the Board members on 22 December 2020 and are signed on their behalf by:



Chairman



Chief Executive Officer



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

To the Members of Local Enterprise Authority

Opinion

We have audited the financial statements of Local Enterprise Authority (the "Authority") set out on page 72 to 105, which comprise the statement of financial position at 31 March 2020, and the statement of surplus or deficit and other comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, significant accounting policies and notes to the financial statements.

In our opinion, these financial statements give a true and fair view of the financial position of Local Enterprise Authority at 31 March 2020, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.



<p>Existence and accuracy of expenses Refer to accounting policy for operating expenses on page 85</p>	
<p>Key audit matter</p> <p>The Local Enterprise Authority's mandate is entrepreneurship and enterprise development in Botswana.</p> <p>The Authority incurs significant annual expenditure in discharging its mandate and relies on Government funding for conducting its business in discharging its mandate.</p> <p>Operating expenses comprise mainly of training, mentoring, research and development project expenses, operating lease rentals and maintenance of various incubators to empower Botswana with entrepreneurship skills. The total expenses incurred during the financial reporting year amounted to P104 810 620.</p> <p>Due to the magnitude of the expenses balance in the financial statements, the volume of expense transactions and the resultant significant work effort by the audit team, the recognition of expenses was considered a key audit matter.</p>	<p>How the matter was addressed in our audit</p> <p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> • We tested design and implementation 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 tender approval documents, where applicable. We agreed the details per the supporting documentation to the details of the recorded expense transactions per the general ledger. • With the assistance of our information technology specialists, we performed data analytics procedures using payroll records and cash book payment data to identify unusual trends and relationships relating to payments made to suppliers and employees. We followed up on exceptions identified through inspecting relevant supporting documentation for a sample to confirm whether they were valid transactions.

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



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 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 Board members are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the 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 the 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 the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Certified Auditors

Practising member: Gosego Motsumai (20030028)

Certified Auditor of Public Interest Entity

BACA Certificate Number CAP 035 2018

Gaborone

24 December 2020

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2020

In Pula

	Notes	2020	2019
Government subvention	7	183,375,090	183,802,770
Government grants amortisation	9	4,021,774	18,787,935
Other operating income		2,667,221	5,238,239
		190,064,085	207,828,944
Operating expenses		(104,610,620)	(285,118,998)
Operating surplus/(deficit)	1	85,453,465	(77,290,054)
Finance income	2	949,056	1,847,975
Finance expense	2	(1,536,478)	-
Net surplus/(deficit) for the year		84,866,043	(75,442,079)
Other comprehensive income		-	-
Total comprehensive income for the year		84,866,043	(75,442,079)

STATEMENT OF FINANCIAL POSITION

at 31 March 2020

In Pula

	Notes	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	4.1	79,134,022	77,128,712
Intangible assets	4.2	1,582,102	2,346,870
Right of use assets	5	25,013,642	-
		105,729,766	79,475,582
Current assets			
Trade and other receivables	6	2,815,192	4,126,110
Cash and cash equivalents	8	38,668,274	22,793,846
		41,483,466	26,919,956
Total assets		147,213,232	106,395,538
FUNDS AND LIABILITIES			
Funds			
Accumulated surplus/(deficit)		7,682,685	(77,183,358)
Non-current liabilities			
Deferred capital grants	9	64,254,362	68,044,458
Long term portion of lease liability	10	23,890,867	-
		88,145,229	68,044,458
Current liabilities			
Short-term portion of deferred capital grants	9	3,666,582	3,550,660
Short-term portion of lease liability	10	2,529,121	-
Trade and other payables	11	11,959,317	98,398,288
Deferred revenue grants	9	33,230,298	13,585,490
		51,385,318	115,534,438
Total liabilities		139,530,547	183,578,896
Total equity and liabilities		147,213,232	106,395,538

STATEMENT OF CHANGES IN FUNDS

for the year ended 31 March 2020

In Pula

	Accumulated surplus/ (deficit)
Balance at 1 April 2018	(1,741,279)
Net deficit for the year	(75,442,079)
Balance at 1 April 2019	(77,183,358)
Net surplus for the year	84,866,043
Balance at 31 March 2020	7,682,685

STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

In Pula

	Notes	2020	2019
OPERATING ACTIVITIES			
Operating surplus/(deficit)	1	85,453,465	(77,290,054)
Adjustment for:			
Depreciation of property, plant and equipment	4.1	6,144,141	5,584,352
Amortization of intangible assets	4.2	905,257	-
Impairment of intangible assets	4.2	163,299	-
Depreciation of right of use assets	5	3,237,925	-
Amortization of grants	9	(4,021,774)	(18,787,935)
Loss/(profit) on disposal of property, plant and equipment		34,676	(1,472,869)
Operating surplus/(deficit) before changes in working capital		91,916,989	(91,966,506)
Movement in trade and other receivables		1,310,918	(155,652)
Movement in trade and other payables		(86,438,971)	75,255,936
Effect of IFRS 16 transition		85,546	-
Net cash generated/(used in) from operations		6,874,482	(16,866,222)
INVESTING ACTIVITIES			
Finance income received		949,056	1,809,276
Proceeds from disposal of property, plant and equipment		46,069	1,609,263
Acquisition of property, plant and equipment	4.1	(8,237,788)	(3,529,175)
Acquisition of intangible assets	4.2	(303,788)	(953,676)
Net cash used in investing activities		(7,546,451)	(1,064,312)
FINANCING ACTIVITIES			
Unutilised government grants received - Leather Park project	9	20,000,000	-
Payment of lease liability	10	(3,453,603)	-
Net cash generated from financing activities		16,546,397	-
Movement in cash and cash equivalents		15,874,428	(17,930,534)
Cash and cash equivalents at beginning of year	8	22,793,846	40,724,380
Cash and cash equivalents at end of year	8	38,668,274	22,793,846

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2020

Statement of compliance

Local Enterprise Authority (“The 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 22 December 2020.

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 2020

Leases

Due to the changes in accounting policies resulting from the application of IFRS 16, the following critical judgements relating to leases are made starting as from the date of initial application of IFRS 16 (1 April 2019). In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, there was no material financial effect of revising lease terms to reflect the effect of exercising extension or termination options. Refer to page 86 for additional disclosures on IFRS 16 adoption.

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. Refer to Note 14 for detailed disclosure on going concern.

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

Property, plant and equipment (continued)

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.

Financial instruments

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

Financial instruments (continued)

Financial assets - Classification and subsequent measurement

The Authority has applied IFRS 9 and classifies its financial assets at 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.

Based on these factors, the Authority classifies its debt instruments at amortised cost as follows:

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

Financial instruments (continued)

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.

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

Financial instruments (continued)

Impairment of financial assets (continued)

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.

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

Financial instruments (continued)

Non-financial assets impairment (continued)

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

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

Deposits and prepayments

Deposits and prepayments consist of balances paid to third parties in advance in exchange for future economic benefits in the form of goods or services or to comply with contractual requirements. These amounts are considered to be short-term in nature and are recognised at the original amounts paid less impairment losses.

Leases policy applicable before 1 April 2019

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.

Leases policy applicable after 1 April 2019

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less

Initial recognition and measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Authority's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Authority if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

Leases policy applicable after 1 April 2019 (continued)

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Authority is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations)

Subsequent measurement

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Authority revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, there was no material financial effect of revising lease terms to reflect the effect of exercising extension or termination options.

Rental income

Rental income from the letting of incubators and training properties is recognised in surplus or deficit 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

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.

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 recognised 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

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

Finance income

The Authority's finance income includes 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.

Finance expense

The Authority's finance expense is the interest expense on the lease liability. The interest expense is recognised using the effective interest rate method and it reduces over the life of the lease as lease payments are made.

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2020

Standards and Interpretations which became effective during the year

The following standards and interpretations became effective during the year ended 31 March 2020 and were adopted by the Authority:

STANDARDS/INTERPRETATIONS	EFFECTIVE DATE	IMPACT ON THESE FINANCIAL STATEMENTS
Amendments to IAS 12 Income taxes	01 January 2019	No impact on these financial statements
Amendment to IAS 19: Plan Amendment, Curtailment or Settlement	01 January 2019	No impact on these financial statements
Amendments to IAS 23 Borrowing	01 January 2019	No impact on these financial statements
Amendments to IAS 28: Long term interest in Associates and Joint Ventures	01 January 2019	No impact on these financial statements
Amendments to IFRS 3: Business combinations	01 January 2019	No impact on these financial statements
Amendments to IFRS 9: Prepayment features with negative compensation	01 January 2019	No impact on these financial statements
Amendments to IFRS 11 Joint arrangements	01 January 2019	No impact on these financial statements
IFRS 16 Leases	01 January 2019	The impact of the standard is set out below.
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019	No impact on these financial statements

IFRS 16 Leases

The Authority has adopted IFRS 16 as issued by the IASB in January 2016 with a transition date of 1 April 2019. The Authority did not early adopt IFRS 16 in the previous periods.

As at 1 April 2019, the Authority held thirteen (13) property lease contracts, four (4) of which were short term leases, and several others relating to photocopiers in its capacity as the Lessee. During the year, the Authority entered into two (2) additional property lease contracts.

All leases are accounted for by recognising a right-of-use asset and lease liability except for leases of low value assets and leases with a duration of twelve months or less.

As permitted by the transitional provisions of the standard, the Authority has elected to apply the modified retrospective approach on the basis of undue cost or effort. The selected transitional approach is detailed below. The initial lease liability and Right-of-Use Assets are recognised as follows:

- The lease liability is net present value of the remaining (i.e. future) lease payments using the incremental borrowing rate at the date of initial application.
- The right-of-use (RoU) asset is recognized at the date of initial application as an amount equal to the lease liability, using the prevailing incremental borrowing rate at the date of initial application. Adjusted for any prepaid or accrued lease payments relating to that lease that were recognised in the statement of financial position immediately before the date of initial application.

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

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

IFRS 16 Leases (continued)

The following practical expedience (PE) relevant to the above transitional approach have been selected and applied accordingly.

- PE#1: Apply the old definition of lease in line with IAS 17/IFRIC to existing leases on transition date. Only apply the new definition of a lease in IFRS 16 to new leases post transition.
- PE#2: Apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- PE#3: Use onerous lease assessment and any provision recognised immediately before date of application instead of an IAS 36 impairment test
- PE#4: No requirement to recognise leases when the term ends within 12 months of the date of initial application

Identifying a lease

IFRS 16 Guidance

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. (IFRS 16:9)

Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. (IFRS 16: B9)

An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

However, where a supplier has a substantive right of substitution throughout the period of use, a customer does not have a right to use an identified asset. A supplier's right of substitution is only considered substantive if the supplier has both the practical ability to substitute alternative assets throughout the period of use and they would economically benefit from substitution. (IFRS 16: B13-14)

A capacity portion of an asset is still an identified asset if it is physically distinct (e.g. a floor of a building). A capacity or other portion of an asset that is not physically distinct (e.g. a capacity portion of a fibre optic cable) is not an identified asset, unless it represents substantially all the capacity such that the customer obtains substantially all the economic benefits from using the asset. (IFRS 16: B20)

The criteria above, has been used to assess the two new property lease contracts entered into during the year. i.e. Commercial Holdings (Pty) Ltd and Elija Makori Nyangwara and are deemed to have met the definition of a lease and consequently recognised on the statement of financial position in the current year.

In determining the lease term, management considered the non-cancellable period, extension options and terminations clauses embedded in the lease contracts. Where appropriate, management has incorporated lease extension periods in the lease term supported by its strategic plan.

Management has also concluded that the lease of photocopiers constitutes a low value lease as the price of the underlying photocopiers do not amount to more than USD 5,000 when new on an individual basis. Management has therefore elected to apply the recognition exemption clause of IFRS 16 paragraph 5(b).

As at 1 April 2019, the Authority was able to borrow funds at a prime rate of 6.5% to fund properties of a similar nature for the period of the lease. The weighted average incremental borrowing rate applied was therefore 6.5% and this was a constant rate for all the leases.

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

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

IFRS 16 Leases (continued)

The Right-of-Use Assets shall subsequently be measured using the cost model of IAS 16 Property, Plant & Equipment.

The liability resulting from the lease contracts shall be accounted for as a financial liability in line with IFRS 9 Financial Instruments – Recognition & Measurement.

On transition to IFRS 16 at 1 April 2019, the Authority recognised additional right-of-use assets and lease liability, recognising the difference in retained earnings. The impact on transition is summarised below.

In Pula

Operating lease accrual used to adjust the right-of-use asset on initial recognition	(85,546)
Right-of-use assets per IFRS 16 at 1 April 2019	13,711,745
Lease liability per IFRS 16 at 1 April 2019	(13,797,291)

The aggregate lease liability recognised in the statement of financial position at 1 April 2019 and the Authority's operating lease commitment at 31 March 2019 can be reconciled as follows:

Operating lease commitment at 31 March 2019 excluding low value leases (Non-cancellable period)	8,772,703
Effect of discounting non-cancellable lease commitments at an annual rate of 6.5%	(1,121,410)
Effect of estimating present value of lease payments during extension period as required by IFRS 16	6,145,998
Lease liability recognised on the statement of financial position as at 1 April 2019	13,797,291
Current portion	1,096,277
Non-current portion	12,701,014

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

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 2020 and have not been applied in preparing these financial statements.

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.

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 2023 with early adoption permitted. The standard is not expected to have any impact on the Authority's financial statements.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued) for the year ended 31 March 2020

Standards and Interpretations not yet effective (continued)

IFRS 3 amendment – Definitions of a business combination (continued)

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 permitted. 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.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The amendments are effective from 1 January 2020. 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 2020

In Pula

1. OPERATING SURPLUS/(DEFICIT)

The operating surplus of P84,866,043 (2019: deficit of P75,442,079) is stated after taking into account the following:

	2020	2019
Loss/(profit) on disposal of property, plant and equipment	34,676	(1,472,869)
Rental income	(721,421)	(744,948)
Sundry income	(1,405,279)	(1,183,045)
Training and resource centre income	(307,851)	(718,541)
Bad debts charge	141,099	32,832
Auditors' remuneration - current year	426,459	507,505
Board sitting allowance	258,894	345,763
Amortization of intangible assets (note 4)	905,257	-
Depreciation of property, plant and equipment (note 4)	6,144,141	5,584,352
Depreciation of right of use assets (note 5)	3,237,925	-
Impairment of intangible assets (note 4)	163,299	-
Insurance expenses	940,805	1,343,550
Legal fees	1,037,834	1,497,762
Operating lease rentals*	4,046,676	10,852,528
Project expenses - "Leather Park"	355,192	12,581,050
Project expenses - "Rapid Incubator"	35,496	3,698,691
Remuneration to senior management	10,031,771	8,368,494
Repair and maintenance costs	2,239,988	1,827,931
Security expenses	3,362,643	2,887,039
Staff costs - retrenchment	601,776	114,093,906
Staff costs - salaries and wages	44,247,225	89,326,360

*Current year expense relates to short-term leases and leases for low value assets for premises and equipment.

2. FINANCE INCOME AND EXPENSE

Finance income		
Foreign exchange gain	8,117	7,652
Interest received on bank deposits	919,428	1,801,624
Interest income accrued	21,511	38,699
	949,056	1,847,975
Finance expense		
Interest on lease liabilities (note 10)	(1,536,478)	-

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 March 2020

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Capital work in progress

Land and buildings

Leasehold improvements

Plant and equipment

	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Library books	Total
	7,365,050	6,673,032	24,059,531	23,385,798	354,407	170,891,042
	91,052	205,009	-	490,911	-	3,529,175
	-	-	-	-	-	-
	(81,438)	(87,142)	(4,176,776)	-	-	(4,418,713)
	7,374,664	6,790,899	19,882,755	23,876,709	354,407	170,001,504
	1,752,778	46,518	-	528,738	-	8,237,788
	-	98,388	-	1,021,424	-	-
	(930,545)	(128,477)	-	-	-	(4,016,662)
	8,196,897	6,807,328	19,882,755	25,426,871	354,407	174,222,630
	6,195,727	6,274,853	21,103,190	22,276,967	344,078	91,570,759
	348,700	206,297	1,227,461	726,041	5,662	5,584,352
	(77,129)	(87,114)	(4,044,726)	-	-	(4,282,319)
	6,467,298	6,394,036	18,285,925	23,003,008	349,740	92,872,792
	348,920	167,251	901,669	612,687	3,915	6,144,141
	(910,065)	(128,467)	-	-	-	(3,928,325)
	5,906,153	6,432,820	19,187,594	23,615,695	353,655	95,088,608
	2,290,744	374,508	695,161	1,811,176	752	79,134,022
	907,366	396,863	1,596,830	873,701	4,667	77,128,712

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 March 2020

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4.1 PROPERTY, PLANT AND EQUIPMENT (continued)

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.

4.2 INTANGIBLE ASSETS

Intangible assets relate to the phased implementation of SAGE Enterprise Resource Planning (ERP) system. The following table shows the intangible assets movement from the prior year.

	Capital work in progress	Computer Software	Total
Cost			
At 1 April 2018	1,393,194	-	1,393,194
Additions	953,676	-	953,676
At 31 March 2019	2,346,870	-	2,346,870
Additions	303,788	-	303,788
Impairment	(163,299)	-	(163,299)
Transfers	(2,438,931)	2,438,931	-
At 31 March 2020	48,428	2,438,931	2,487,359
Accumulated amortization			
At 1 April 2019	-	-	-
Charge for the year	-	905,257	905,257
At 31 March 2020	-	905,257	905,257
Carrying amount 2020	48,428	1,533,674	1,582,102
Carrying amount 2019	2,346,870	-	2,346,870

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 March 2020

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5. RIGHT-OF-USE ASSETS

The Authority adopted IFRS 16 for the first time in the current financial year. Comparative figures have been accounted for in accordance with IAS 17 and accordingly, and assets recognised under finance leases in accordance with IAS 17 for the comparative have been recognised as part of property, plant and equipment. The information presented in this note relates to leases previously accounted for as operating leases under IAS 17. The Authority's right-of-use assets are entirely for business premises it operates from at various locations. Refer to note 12 for terms and conditions relating to contracts for business premises and note 10 for the corresponding lease liability.

	2020	2019
Right-of-use assets	25,013,642	-
Balance at the beginning of the year	13,711,745	-
Additions during the year	14,539,822	-
Depreciation charge for the year	(3,237,925)	-
Balance at the end of the year	25,013,642	-

6. TRADE AND OTHER RECEIVABLES

Trade receivables	333,480	189,957
Less: Impairment allowances	(295,320)	(154,221)
	38,160	35,736
Deposits and prepayments	2,459,373	3,715,712
Sundry receivables	86,146	60,562
Salary advance	210,002	275,703
Accrued interest on deposits	21,511	38,699
	2,815,192	4,126,110

7. RELATED PARTIES

Related party	Relationship	
Government of Botswana	Parent	
Board members	Key management	
Executive Management	Key management	
Botswana Development Corporation (BDC)	Common shareholder	
Income /(expense) transactions with related parties		
Government subvention	183,375,090	183,802,770
Amortization of capital grants	3,666,582	3,550,660
Amortization of revenue grants	355,192	15,237,275
Transactions with Government of Botswana	187,396,864	202,590,705
Rental payments to BDC	(1,290,069)	-
Operating costs	(165,798)	-
Transactions with BDC	(1,455,867)	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 March 2020

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7. RELATED PARTIES (continued)

	2020	2019
Key management personnel remuneration		
Board allowances	(258,894)	(345,763)
Salaries and allowances	(6,814,863)	(5,572,380)
Chief Executive Officer	(1,048,528)	(819,643)
Deputy Chief Executive Officer-Support Services	-	(275,074)
Deputy Chief Executive Officer-Client Support	-	(278,424)
Post-employment benefits	(2,168,380)	(1,422,973)
	(10,290,665)	(8,714,257)

Key management personnel refer 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.

8. CASH AND CASH EQUIVALENTS

Short term deposits - call account balances	36,620,002	21,407,802
Current account balances	2,037,608	1,373,496
Cash on hand	10,664	12,548
	38,668,274	22,793,846

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

Short term bank deposits - call account balances	38,657,610	22,781,298
Cash on hand	10,664	12,548
	38,668,274	22,793,846

9. GOVERNMENT GRANTS

Deferred capital grants		
Balance at 1 April	71,595,118	75,145,778
Amortisation to surplus or deficit	(3,666,582)	(3,550,660)
Disposal for the year	(7,592)	-
Balance at 31 March	67,920,944	71,595,118

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

Short term portion	3,666,582	3,550,660
Long term portion	64,254,362	68,044,458
	67,920,944	71,595,118

Deferred revenue grants		
Balance at 1 April	13,585,490	28,822,765
Grants received	20,000,000	-
Amortised to cover related expenses incurred	(355,192)	(15,237,275)
Balance at 31 March	33,230,298	13,585,490

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2020

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9. GOVERNMENT GRANTS (continued)

	2020	2019
Total deferred grants balance at 1 April	85,180,608	103,968,543
Grants received - Leather Park Project	20,000,000	-
Amortisation to surplus or deficit	(4,021,774)	(18,787,935)
Disposal for the year	(7,592)	-
Total deferred grants balance at 31 March	101,151,242	85,180,608

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 surplus or deficit 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 represent unutilised grants advanced by Government to the Authority to fund working capital in respect of certain projects. Deferred revenue grants are expected to be utilised within 12 months of year-end and have been classified as a current liability.

The Authority received a government subvention to cover its normal operations for the year amounting to P183, 375,090 (2019: P183,802,770).

	2020	2019
10. LEASE LIABILITY		
Lease liability	26,419,988	-
At the reporting date the lease liability is analysed as follows:		
Short term portion	2,529,121	-
Long term portion	23,890,867	-
	26,419,988	-
Maturity analysis – contractual undiscounted cash flows		
Within one year	4,135,358	-
After one year, before five years	17,312,619	-
After five years	45,444,203	-
Total undiscounted lease liabilities at 31 March 2020	66,892,180	-
Total finance expense allocated to future periods	(40,472,192)	-
Lease liability at 31 March 2020	26,419,988	-
The lease liability can be reconciled as below:		
Lease liability at 1 April 2019	13,797,291	-
Increase in lease liability during the year	14,539,822	-
	28,337,113	-
Interest expense on lease liability	1,536,478	-
Lease payments made for the year	(3,453,603)	-
Lease liability at 31 March 2020	26,419,988	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 March 2020

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11. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	1,493,209	1,824,729
Accruals for expenses	4,412,665	83,421,370
Payroll related accruals	6,053,443	13,152,189
	11,959,317	98,398,288

12. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Authority adopted IFRS 16 Leases in the current year and as a result current year lease commitment in respect of operating leases have been disclosed only for low value leases for which no right-of use asset and lease liability were recognised. The future aggregated minimum lease payments under non-cancellable operating leases for premises from which the Authority operates from are as follows:

	2020	2019
Within one year	-	4,919,273
After one year, before five years	-	9,152,320
After five years	-	-
	-	14,071,593

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.

Low value leases

There are no future obligations with respect of printers since all the contracts have expired and are currently month to month leases that can be terminated at any time.

Contingent liabilities

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 P1,443,391 (2019: 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.

Furthermore, the Authority has entered into contractual agreements with third parties for the supply of goods and services. The contractual agreements amounted to P1,882,628 at year end.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 March 2020

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13. EVENTS AFTER THE REPORTING DATE

At the date of finalisation of the financial statements, there were no material events that occurred subsequent to the reporting date that require adjustment in the financial statements. The following material subsequent events however require disclosure in the financial statements:

Covid-19 outbreak

On 11 March 2020, the World Health Organization declared COVID-19 a pandemic and the outbreak a public health emergency. The extent of COVID-19's effect on the Authority's operational and financial performance will depend on future developments, of all which are difficult to predict at this stage.

Management evaluated subsequent events that occurred after the reporting date up to the date that the financial statements were issued, including evaluating the impact of the COVID-19 pandemic on the Authority's business.

COVID-19 has resulted in an immediate reduction of economic activity due to the closure of borders. The Authority has been impacted to a lesser extent due to the steps taken by management as referred to below. The results for the 6 months period ended 30 September 2020 shows that the Authority recorded a surplus of P21,584,144. Cash and cash equivalents as at 30 September 2020 amounted to P63,234,504. Total assets amounted to P171,372,325 against total liabilities of P141,123,278. During the same period, current assets amounted to P68,684,639 against current liabilities of P51,666,717. However, the Authority anticipates that there is likely to be a reduced Government funding, and this will likely affect the Authority's service offering to its Clients such as business advisory, training and mentoring. The Authority's activities/projects budget was reduced by P1,000,000 from P4,500,000 to P3,500,000. Taking into account the reduced funding, the Authority has also forecasted less costs for the future years as their expenditure is driven by the funding that they receive.

Management has prepared cashflow forecasts for the next twelve months and have implemented actions to maximise liquidity and control costs to ensure the sustainability of the Authority. At this point in time, it is expected that the events will not have a material adverse effect on the Authority's business or its ability to continue as a going concern. The entity is a non-profit organisation and therefore there is minimal impact on the entity. The only impact was a reduction in the government support; however, this is still sufficient for the entity to continue its operations.

Compared to budgets, revenue was 5% higher than the budget and total expenses were 1% lower than the budget. Cash flow forecasts indicate that budgeted revenue levels will continue to be higher than expenses and management anticipate that they will have enough liquidity to cover obligations as they fall due.

The management team is monitoring the situation globally on a daily basis in order to mitigate any potential impact. The financial statements do not include any adjustments that might result from the outcome of this uncertainty as the pandemic has been deemed a material non-adjusting event. The Board Members concur with this assessment.

There were no other events subsequent to year end which required disclosure in the financial statements.

14. GOING CONCERN

The Authority generated a net surplus for the year ended 31 March 2020 of P84,866,043 (2019: net deficit of P75,442,079) and as of that date its total assets exceeded its total liabilities by P7,682,685 (2019: total liabilities exceeded total assets by P77,183,358), while the current liabilities exceeded current assets by P9,901,852 (2019: P88,614,482). Total current liabilities at the reporting date include unutilised government grants advanced to the Authority to fund the Leather Park project of P33,230,298 (2019: P13,585,490). Total current liabilities also include deferred capital grants of P3,666,582 (2019: P3,550,660).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 March 2020

In Pula

14. GOING CONCERN (continued)

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 2020/2021 budget and is continuing to provide financial support to the Authority through Government subvention and grants. The approved budget for the 2020/21 financial year amounted to P137,975,700. The Government has pledged to support the Authority in the next financial year through a government subvention of P137,975,700 disbursed in four equal instalments. Subsequent to year-end the Authority has received P70,198,163 in grants from the Government.

The Government is reviewing the mandates of state-owned entities and is contemplating rationalising those where it deems that there is mandate overlap and duplication. However, at the reporting date nothing had been confirmed by the Government nor any measures put in action to implement this rationalisation.

The members continue to monitor the financial impact of COVID-19 and acknowledge that uncertainty exists as a result of the current global situation. However, based on the nature of the business, working capital resources it has at its disposal and the various austerity measures taken, the Authority has appropriately adopted the going concern assumption for the financial reporting period to 31 March 2020.

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 to enable the Authority to meet its obligations as and when they fall due. The letter of support is valid for the next 12 months from the date of signing of the financial statements.

Further, from a strategy perspective, the Authority aims to implement cost containment initiatives such as negotiating rental reduction of the LEA leased offices, efficient use of motor vehicles and disposal of assets not required by the Authority. The Authority has also delayed recruitment of some positions as part of managing its cash flows.

As at the date of approval of the financial statements, the Board members made an assessment of the Authority’s ability to continue as a going concern, taking into account all available information about the future, including the analysis of the possible impacts in relation to COVID-19, which is at least, but is not limited to, twelve months from the date of approval of these financial statements and confirm that they have not identified events or conditions that may cast significant doubt on the Authority’s ability to continue as a going concern.

Therefore, the Board members believe that the Authority has adequate financial resources to continue in operation for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis which assumes that the Authority has adequate resources to realise its assets and discharge its liabilities in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 March 2020

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15. 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 monitor 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.

Financial assets

	2020	2019
Trade and other receivables	145,817	410,398
Cash and cash equivalents	38,657,610	22,781,298
	38,803,427	23,191,696

Financial liabilities

Trade and other payables	5,905,874	85,246,099
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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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 March 2020

In Pula

15. FINANCIAL INSTRUMENTS (continued)

Credit Risk (continued)

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.

Financial assets subject to credit risk is analysed as follows:

	2020	2019
Trade Receivables	38,160	35,736
Other receivables	107,657	374,662
Cash and cash equivalents	38,657,610	22,781,298
	38,803,427	23,191,696

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

	Gross 2020	Impairment 2020	Gross 2019	Impairment 2019
Current	1,200	(368)	-	-
Past due 1-30 days	40,346	(12,712)	20,778	1,788
Past due 31-60 days	18,659	(9,303)	21,825	6,109
Past due 61-90 days	13,526	(13,188)	5,703	4,673
Past due more than 90 days	259,749	(259,749)	141,651	141,651
	333,480	(295,320)	189,957	(154,221)

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

	Impairment 2020	Impairment 2019
Balance at beginning of year	154,221	108,271
IFRS 9 transitional adjustment	-	13,118
Increase in allowance included in surplus or deficit	141,099	32,832
Balance at end of year	295,320	154,221

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2020

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15. 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:

2020	Carrying amount	Contractual cash-flows due in less than 6 months
Trade and other payables	5,905,874	5,905,874
2019		
Trade and other payables	85,246,009	85,246,009

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 March 2020

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15. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

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

Annual Interest rates

	2020	2019	2020	2019
Investments	2.35%-4.65%	3.85%-5.75%	14,694,390	17,603,838
Call accounts	0.02%	0.02%	21,925,611	3,803,964
			36,620,001	21,407,802

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:

	2020	2019
Investments	73,472	88,019
Call accounts	109,628	19,020
	183,100	107,039

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.

16. CATEGORISATION OF ASSETS AND LIABILITIES

Financial instruments measured at fair value are categorised in three level 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 observed for the assets 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 year. Current assets and current liabilities carrying amounts approximate their fair value due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 March 2020

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16. CATEGORISATION OF ASSETS AND LIABILITIES (continued)

	Carrying values	Financial assets/ liabilities at amortised cost	Other non financial assets and liabilities	Current assets and liabilities
2020				
Assets				
Trade and other receivables	2,815,192	145,817	2,669,375	2,815,192
Cash and cash equivalents	38,668,274	38,657,610	10,664	38,668,274
	41,483,466	38,803,427	2,680,039	41,483,466
Liabilities				
Trade and other payables	11,959,317	5,905,874	6,053,443	11,959,317

	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

DETAILED INCOME STATEMENT

for the year ended 31 March 2020

In Pula

	2020	2019
Income		
Government subvention	183,375,090	183,802,770
Amortization of capital grants	3,666,582	3,550,660
Amortization of revenue grants	355,192	15,237,275
	187,396,864	202,590,705
Other operating income		
(Loss)/profit on disposal of plant and equipment	(34,676)	1,472,869
Rental income	721,421	744,948
Sundry income	1,412,698	1,183,045
Telephone recoveries	216,127	1,007,388
Tender fees	43,800	111,448
Training and resource centre income	307,851	718,541
	2,667,221	5,238,239
Operating expenses		
Advertisement	(1,139,621)	(1,190,347)
Amortization of intangible assets	(905,257)	-
Annual license fee	(2,496,936)	(3,171,666)
Auditors' remuneration - current year	(426,459)	(507,505)
Bank charges	(104,509)	(156,829)
Board sitting allowance	(258,894)	(345,763)
Board meeting expenses	(8,577)	(51,697)
Business travel, accommodation and allowances	(2,660,731)	(3,232,880)
Computer expenses	(855,545)	(618,063)
Consultancy fees	(2,727,773)	(3,633,493)
Courier and postage	(251,357)	(146,740)
Depreciation of property, plant and equipment	(6,144,141)	(5,584,352)
Depreciation of right of use assets	(3,237,925)	-
Doubtful debts charge	(141,099)	(32,832)
Farm consumables	(1,379,570)	(2,409,508)
Impairment of intangible assets	(163,299)	-
Insurance	(940,805)	(1,343,550)
Legal fees	(1,037,834)	(1,497,762)
Motor vehicle expenses	(770,106)	(1,166,188)
Office expenses	(1,036,813)	(1,073,347)
Operating lease rentals	(4,046,676)	(10,852,528)
Project expenses Leather Park	(355,192)	(12,581,050)
Project expenses Rapid Incubator	(35,496)	(3,698,691)
Promotion and publicity	(1,167,090)	(897,749)
Total carried forward	(32,291,705)	(54,192,540)

DETAILED INCOME STATEMENT

for the year ended 31 March 2020

In Pula

	2020	2019
Total brought forward	(32,291,705)	(54,192,540)
Remuneration paid to senior management	(10,031,771)	(8,368,494)
Repairs and maintenance	(2,239,988)	(1,827,931)
Research costs	(29,338)	(139,179)
Security expenses	(3,362,643)	(2,887,039)
Seminars, retreat and conference costs	(430,813)	(426,373)
SMME conference and fair - current year	(587,098)	(1,705,170)
Staff costs- Salaries and wages	(44,247,225)	(89,326,360)
Staff costs- Retrenchment	(601,776)	(114,093,906)
Staff training and recruitment	(1,884,797)	(318,732)
Staff welfare	(2,629,886)	(2,000,363)
Stakeholder management	(49,113)	(64,550)
Stationery and printing	(1,248,258)	(1,353,390)
Subscriptions	(239,714)	(341,989)
Telephone, mobile and fax	(4,198,959)	(4,450,057)
Write off of receivables	-	(111,293)
Training and mentoring costs	(537,535)	(3,511,632)
	(104,610,619)	(285,118,998)
Operating surplus/(deficit) for the year	85,453,465	(77,290,054)

This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 68 to 71.

CONTACT US

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 LEA - Local Enterprise Authority

 Botsa_LEA

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