



LOCAL ENTERPRISE AUTHORITY

2020/21

ANNUAL REPORT

START • GROW • EXPAND









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Where to find us

www.lea.co.bw



GLOSSARY OF TERMS

ABSA	Amalgamated Banks of South Africa	ISPAAD	Intergrated Support Programme for Arable Agriculture Development
ACCA	Association of Chartered Certified Accountants	ISO	International Organisation for Standardization
AFW	Work From Anywhere	KMPG	
BECI	Export Credit Insurance and Guarantee Company Botswana	LEA	Local Enterprise Authority
Bcom	Bachelor of Commerce	LIP	Leather Industry Park
BCP	Business Continuity Plan	LLB	Bachelor of Laws
BOBS	Botswana Bureau of Standards	LTU	Large Taxpayer Unit
BOMRA	Botswana Medicines Regulatory Authority	MBA	Master of Business Administration
BORAVAST	Bokspits, Rappelspan, Vaalhoek and Struizendam	MCIPS	Member of the Chartered Institute of Procurement and Supply
BOPEU	Botswana Public Employees Union	MFC	Master of Finance and Control
BNPC	Botswana National Productivity Centre	MITI	Ministry of Investment, Trade and Industry
BTC	Board Tender Committee	NDB	National Development Bank
BUAN	Botswana University of Agriculture and Natural Resources	POS	Point of Sale
BURS	Botswana Unified Revenue Services	PPADB	Public Procurement and Asset Disposal Board
BQA	Botswana Qualifications Authority	RISDP	Regional Indicative Strategic Development Plan
CEDA	Citizen Entrepreneurial Development Agency	RSA	Republic of South Africa
COSO	Committee of Sponsoring Organizations of the Treadway Commission	SADC	Southern African Development Community
EAW	Entrepreneurship Awareness Workshop	SBA	Small Business Act
EDD	Economic Diversification Drive	SDG	Sustainable Development Goals
ERM	Enterprise-wide Risk Management	SHE	Safety, Health and Environment
EU	European Union	SOE	State Owned Enterprises
FFCA	Fellow Member of Association of Chartered Certified Accountants	SME	Small and Medium-sized Enterprise
FAC	Finance and Audit Committee	SMME	Small, Medium and Micro Enterprises
FIBI	Francistown Industrial Business Incubator	TAC	Technical Advisory Committee
FNB	First National Bank	UK	United Kingdom
HR	Human Resources	UNISA	University of South Africa
HRC	Human Resource Committee	USA	United States of America
ICT	Information and Communications Technology	VTM	Viral Transport Media
ISF	Industry Support Facility	YDF	Youth Development Fund

A person wearing a blue hat and a blue jacket is pouring bright yellow lemons from a wooden crate onto a blue tarp on the ground. Another person's hands are visible holding the crate. The background is a blurred outdoor setting with green foliage.

LEA CORPORATE PROFILE

The Local Enterprise Authority (LEA) was established by the Small Business Act (SBA) No. 16 of 2008 of the Laws of Botswana to carry out on behalf of the Government of Botswana, and more specifically the Ministry of Investment, Trade and Industry (MITI), the mandate of entrepreneurship and enterprise development in Botswana.

Our Mandate

In accordance with the Small Business Act, the Authority's mandate is to promote entrepreneurship and develop the Small, Medium and Micro Enterprises (SMMEs)

- 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 Hukuntsi 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

ENTREPRENEURSHIP AND SUSTAINABLE SMME DEVELOPMENT IN BOTSWANA

Start. Grow. Expand

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.”



OUR VALUES



SELF-DRIVEN

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



PARTNERSHIP

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



TRANSFORMATIONAL LEADERSHIP

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



ENTREPRENEURIAL

We build an entrepreneurial culture and unearth business opportunities for the Small, Medium and Micro Enterprises.

LEA BOARD OF DIRECTORS

Start. Grow. Expand



Ms. Lorato Boakgomo - Ntakhwana
LEA Board Chairperson

Ms. Boakgomo-Ntakhwana is an Entrepreneur with wide experience in running businesses both large and small. She holds a BCom from the University of Botswana; an MBA from Loyola College, Baltimore, a Certificate for Traders (SA Institute of Financial Markets) and a Certificate in Treasury Management (UNISA). Ms Ntakhwana has also attended many professional training courses including The Senior Executive Programme with Harvard Business School, An International Executives Training programme covering Turkey, USA & China, A Central Banking Training programme by JP Morgan in the US; The Management of Country Reserves with The World Bank; An Asset Management Training programme for Central Banks with Dresden Bank; Treasury Risk Management offered by Euromoney and a Credit Analysis programme offered by the US Federal Reserve Bank.

Lorato the Corporate employee turned Entrepreneur, has a wide

range of experience in the financial services industry having worked over 30 years for some of the leading financial Institutions.

Having a passion for Women Leadership, Excellence at the workplace and continued personal growth through learning new terrains, Lorato has worked several years in financial institutions namely: Bank of Botswana; South African Reserve Bank; Rand Merchant Bank; First Rand and First National Bank from which she retired in June 2016 to run her own company, Gravitas Investments (Pty) Ltd operating as Sally Dairy. Gravitas is a dairy processing plant at which she plays the role of Managing Director. Throughout her career, Ms. Ntakhwana has held a number a senior positions including amongst others: being Deputy CEO - FNB International and Portfolio Executive for Emerging Countries; CEO - FNB Botswana; Deputy Treasurer - First

Rand Group and Deputy Head – Financial Markets as well as Head – Reserve Management at the South African Reserve Bank. Ms Ntakhwana currently also Chairs the Board of Botswana Telecommunication Corporation and is a Director of Metropolitan Botswana. Other Board experiences include being a Board member of FNB in Botswana, Zambia Mozambique, Swaziland and Lesotho.

In June 2019 The President of Botswana put together a Presidential task Team called the National Transformation Strategy Team with a mandate to be the think tank and provide advisory services to the Presidency for the attainment of the Botswana's Vision 2036. The President appointed Ms Ntakhwana as one of the team members whose mandate is to produce a strategy blueprint.



Mr. Dumo Lopang
VICE CHAIRPERSON

Mr. Dumo 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 as spearheading Exponential Investments; a 100% citizen owned multi-million Pula property 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, Dumo 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.



Mr. Mokgethi Nyatseng
BOARD MEMBER

Mr. 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 as 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 Telecommunications Corporation.



Ms. Bonolo Champane
BOARD MEMBER

Ms. Bonolo Champane 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. Champane is a fellow member of the Association of Chartered Certified Accountants (FCCA, U.K), member of the Botswana Institute of Chartered Accountants and Bidvest Academy Charter.



Mrs. Moipedi Nkoane
BOARD MEMBER

Mrs. Moipedi Nkoane currently works as Director for Cooperative Development in the Ministry of Investment, Trade and Industry. She graduated with a Bachelor Degree in Social Sciences (Accounting and Economics) from the University of Botswana; and also holds a Master's Degree in Accounting and Finance acquired from Macquarie University, Australia. She spearheaded the drafting of the Citizen Economic Empowerment Law during her acting period as Deputy Permanent

Secretary responsible for economic diversification. She previously worked for the then Ministry of Finance and Development Planning; seconded to line ministries, where she ensured prudent financial management by developing, maintaining and reviewing appropriate financial policies and systems for cost effectiveness. She was a member of the National Coordinating Committee on Financial Intelligence which ensures compliance with the money laundering controls.



Mrs. Omphemetse Chimbombi
BOARD MEMBER

Mrs. Omphemetse 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.



Mrs. Patience Motswagole
BOARD MEMBER

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)



Mr. Chilipi Mogasha
BOARD MEMBER

Mr. Chilipi Mogasha is the Director of Operations at InnoLead Consulting. In his fifteen years with the firm, it grew 10X in both revenue and number of employees. This performance was mainly through a culture of the relentless drive to fulfil the clients' needs and make a difference. He leads a team of over 30 business and project management consultants that help organisations in the public and private sectors to successfully execute their mandates; including CEDA, BITC, Orange Botswana, FNB, LEA, Standard Chartered,

ABSA, MRI Botswana, BICA, BECI, BNSC, BOMAID, MMEWR, MOHW, Botswana Post, NBFIRA, MVAF and Botswana Oil among others.

Mr. Mogasha is certified by the Balanced Scorecard Institute of South Africa; and has led project management assignments for various clients within Government and the private sector. He is also a PMI certified Project Management Professional (PMP), Agile Practitioner (ACP), Scheduling Professional (PMI-SP) and a PRINCE2 Practitioner.



Mrs. Kathleen Kenna Molaodi
BOARD MEMBER

Mrs. Kathleen Molaodi is currently an entrepreneur, with particular interest in the hospitality industry as well as property

development and management. She holds a Master's Degree in Development Economics from Sussex University in the United Kingdom, having obtained her first degree at the University of Botswana, with a major in Economics and Accounting. Her work experience started with Central Government as an Economist at the Ministry of Finance and Economic Planning. Mrs. Molaodi's planning career later extended to Local Government before she ventured into the private sector.

She joined Botswana Development

Corporation and later its subsidiary BECI where she was responsible for marketing the services of the Corporation and BECI. She has also served at the regional level with the SADC Secretariat, where she was responsible for Planning and Monitoring of the implementation of the Regional Indicative Strategic Development Plan (RISDP). This is a long term strategic document that addresses the long-term objectives of SADC such as like poverty alleviation and eradication, employment creation, infrastructure development, improvement in Health and Education.



Ms. Boitumelo Gofhamodimo
BOARD MEMBER

Ms. Boitumelo Gofhamodimo is an economist who has worked extensively in the area of trade and industrial policy. From 1986 to 2004, she served in the now Ministry of Investment Trade and Industry on industrial development issues,

including development of SMMEs; and becoming the founding Director of Department of International Trade in the same Ministry in 2003. In 2004 Ms. Gofhamodimo joined the SADC Secretariat as Chief Technical Advisor for SADC – EU trade negotiations. She was appointed Director for the Trade Industry Finance and Investment portfolio at the SADC Secretariat from 2008 to 2016, after which she joined the Southern Africa Trust, a non-governmental organization based in South Africa as a Research Fellow and Consultant on regional integration, trade and industrial policy matters.

She joined UNDP in 2018, attached to the Ministry of Finance and Economic Development, to provide technical advice on the SDGs agenda. In September 2020, Ms. Gofhamodimo assumed the position of Deputy Secretary – Macroeconomic Policy in the Ministry, and amongst others oversees International Economic Policy; Enterprise Development and Employment Policy; Macroeconomic Policy and Population and Development Policy portfolios. She holds a Post Graduate Diploma in Economics from the University of Melbourne in Australia and a Master's Degree in Economics from the University of Botswana.

BOARD CHAIRPERSON'S STATEMENT

Start. Grow. Expand



“As the Board of Directors, we are committed to fortifying the role of LEA as a centre of excellence for entrepreneurship and SMME development in the country.”

Ms. Lorato Boakgomo- Ntakhwana
LEA Board Chairperson

On behalf of the Local Enterprise Authority (LEA) Board of Directors, I am pleased to present to you, the annual report for the year 2020- 21, in accordance with Section 26 of the Small Business Act No 16 of 2008.

The period under review marks the third year of the implementation of the LEA 2018-23 transformative strategy, whose intent is to create a pool of innovative, sustainable, and competitive SMEs that contribute to economic growth and job creation. The strategic intent for the Authority is aligned to the Country's national agendas; to create wealth for Batswana, diversify the economy, reduce the import bill, and create employment. The Strategy supports two of the focus thematic areas to be implemented during the remainder of NDP 11 namely, Economy and Employment, and Social Upliftment.

Our focus is on delivering effective coordination and provision of customised business support services that empower SMEs to grow and build export capacity. This report, therefore, highlights the Authority's strategic achievements and the Audited Financial Statements.

Corporate Governance

During the 2020-21 financial year, the LEA Board of Directors fulfilled their oversight duty, guided by the Board charter and the shareholder compact. The Board continues to provide guidance and support in the implementation of the strategy, delivery of projects, and programmes that resonate with the LEA mandate. The LEA Board and sub-committees have during the year under review demonstrated their commitment and aptitude in advising the Management Team on all aspects of the business.

Corporate Strategy and Performance

The beginning of the 2020-21 financial year coincided with the plague of the COVID 19 pandemic that brought the world economies to a standstill, leading to a hostile business environment and declining economic activity. International Monetary Fund's World Economic Outlook update released in October 2020, projected that the global economy will contract by 4.4 percent with sub-Saharan Africa expected to register minus 3.0 percent. In his State of the Nation Address in November 2020, His Excellency Dr. Mokgweetsi E.K. Masisi stated that the domestic economy is expected to contract by 8.9 percent attributed to an expected sharp decline in major sectors such as mining, trade, hotels and restaurants construction, manufacturing and transport and communications.

(Board Chairperson's statement continued)

The restrictions occasioned by the COVID 19 outbreak constrained economic growth, as demand was subdued, and in some sectors such as tourism, businesses were compelled to suspend operations. There was however a marked recovery during the second half of the year, resulting in improvement in the SMME revenue related indicators, (SMME Revenue, Import Substitution and Market Linkages). This performance is underpinned by the recruitment of new clients and the establishment of start-ups, some of which took advantage of the high demand for COVID 19 related medical products. It is anticipated that this performance will continue in 2021/2022 as the economy continues on the recovery trajectory. LEA exerted resilience during this tough and uncertain period, supporting the SMMEs to stay afloat during the lockdowns, and to resume operations once the lockdown restrictions were lifted. The Authority was privileged to have participated in the delivery of some of the pivotal initiatives of Botswana's Economic Recovery and Transformation Plan (ERTP), such as the facilitation of access to the Industry Support Funds (which are being administered by LEA, CEDA, BDC and NDB) and the Preferential Procurement for Citizen owned companies. As a result of the Authority's resolute business development and support services, 24 businesses graduated from LEA during the year 2020-21.

Financial Highlights

The audited financial statements demonstrate how the authority utilized the funds received from the Government of Botswana in the form of the annual subvention. A constrained budget compounded by COVID 19 impact limited the organisation's ability

to undertake some of the planned initiatives during the year, leading to these some initiatives being deferred. The Authority continues to forge strategic partnerships that will support its business objectives and yield positive results for the SMME sector.

Conclusion

On behalf of the LEA Board, Management and Staff, I sincerely thank the Government of Botswana through the Ministry of Investment, Trade and Industry for their unwavering support to the Authority. I would like to acknowledge the invaluable contribution of all our stakeholders, whose support greatly complements the delivery of the LEA mandate, and amplifies our value offering and service delivery. The Authority vouches to retain these collaborations and forge more meaningful partnerships going forward.

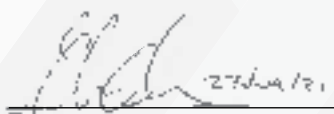
The human capital of LEA remains pivotal in driving the LEA mandate and is the driving force behind the notable achievements realised during the 2020-21 financial year. This was a challenging year clouded by socio economic challenges, such as job losses, folding of businesses, loss of precious lives and many others. Nonetheless, LEA employees displayed resilience and remained dedicated to keeping SMMEs afloat during this challenging period.

Lastly, as I take over as Chairperson of the LEA Board of Directors, I wish to thank the former Board Chairperson, Mr. Mokgethi Frederik Magapa for his formidable leadership, successfully driving the LEA mandate during his tenure. I extend gratitude to the following outgoing Board members,

Mrs. Sethebe Henriett Manake, Mrs Keganelwe Malikongwa, Dr. Lucky Wakantse Odirile and Dr. Haniso Motlhabane.

In the same vein, I extend a hearty welcome to the new Board members being, Ms Kathleen Molaodi, Ms Moipedi P. Nkoane, Ms Boitumelo Gofhamodimo and Mr Chilipi Mogasha. As we continue to weather the COVID 19 storm, my fellow Board members and I maintain a sense of servitude in discharging our role, as we guide the Authority to transform the SMME sector so as to grow its contribution to Botswana's economy.

As the Board of Directors, we are committed to fortifying the role of LEA as a centre of excellence for entrepreneurship and SMME development in the country. Our advocacy and lobbying for policy reforms and improved business environment will continue, with the view to protect the SMME sector and further stimulate its growth and contribution to the economy.


Ms. Lorato Boakgomo - Ntakhwana*LEA Board Chairperson*

EXECUTIVE MANAGEMENT

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Dr. Racious M. Moatshe
Chief Executive Officer



Mr. Godfrey Molefe
Chief Financial Officer



Mr. Omphitlhetshe Saleshando
Chief Operations Officer



Mrs. Boikhutso Kgomanyane
Head, Corporate Affairs & Market Access



Mr. Mothusi Kelebogile
Head, Sector Innovation



Mr. Monyadiwa Masilo
Head, Information Technology



Mr. Mompoti Baiphethi
Head, Capability Development



Mr. Onkabetse Moatlhodi
Head, Digital Transformation



Mr. Oreneile Padipadi
Regional Manager-South



Ms. Dynah Solani
Regional Manager-North



Mr. Paul Ockerse
Project Director, Leather Industry Park



Mrs. Boitshenko Ntshingane
Legal Advisor



Mrs. Tshupo Wadipeba
Head, Human Capital

CHIEF EXECUTIVE OFFICER'S STATEMENT



Dr. Raciuous M. Moatshe
Chief Executive Officer

I am honored to present the Local Enterprise Authority's 2020-21 business performance results, highlighting key strategy deliverables and Audited Financial Statements.

The start of 2020-21 financial year followed the declaration of COVID-19 as a pandemic by the World Health Organization (WHO). In the wake of that pronouncement, the Government of Botswana in April 2020 appropriately effected COVID-19 response measures, which included setup of the COVID-19 Task Force, movement restrictions and subsequent lockdowns to combat the spread of the virus. Notwithstanding the appropriateness of the measures, the movement restrictions had an adverse impact on businesses resulting in slower than normal performance due to disrupted business activity.

Despite the measures put in place to curb the spread of the disease, the Government of Botswana also employed measures to cushion business against the hard economic activity meltdown through the Industry Support Fund for the informal sector. The Authority has participated in the preferential public procurement introduced by Botswana Government to help citizen owned businesses to benefit from the Government procurement; an initiative which we applaud the Government for. In this endeavour, LEA was instrumental in the area of creation of a database that identifies enterprises per region, sector and product range.

Despite the economic downturn that resulted from the pandemic, I am happy to report that the Authority during the reporting period surpassed its set strategic targets on SMME related performance indicators.

This reporting year marks the third year into our five-year strategy whose primary objective is to create a pool of innovative, sustainable, and competitive SMEs that contribute to economic growth and diversification, as well as job creation. Pivotal to LEA's strategy is the development of partnerships with key stakeholders for SMME development. It is through these partnerships that we are able to extend our business support and development services beyond what we would ordinarily be able to achieve.

Organizational Performance SMME Performance

Notwithstanding the economic shocks from the pandemic, SMMEs proved to be resilient as indicated by 89% survival rate recorded during the 2020-21 financial year, exceeding the set target of 70%. This impressive performance is highly attributed to the targeted

support that LEA rendered the SMMEs to remain focused and profitable in the midst of the pandemic. Furthermore, the organization graduated enterprises that are now ready to operate under minimal LEA direct mentorship and supervision. To address the challenges occasioned by the COVID response measures, LEA assisted SMMEs to adapt their operations, rationalize their output and diversify their offering. This resulted in revenue generated by the supported SMMEs achieving an all-time annual high of P 495.6 million.

Funding

Facilitation of business proposals to source funding is a critical phase in the business cycle. Through LEA advisory, 483 business plans were developed and submitted to various funding institutions, out of which 140 were funded at the value of P66.8million. Our assessment shows that upscaling or expansion submissions proved to be more successful with funding when compared to prestart up enterprises, indicating that financiers' products do not adequately cater for the pre-startup funding phase that businesses go through.

Job creation

During the year under review, LEA assisted enterprises managed to sustain a total of 1,248 jobs and created an additional 1,438. The jobs created were driven by the establishment of new businesses, and the expansions that were funded during the year.

Import substitution

Botswana's import bill remains high, hence import substitution remains a priority, and the SMME sector has been found to have potential to significantly contribute towards its reduction. This year, the organization achieved an astounding growth from

P21.3million attained the previous year, to P105.7million worth of import substitution.

SMME turnover

Paramount to the successful delivery of the LEA mandate is market access facilitation, which primarily connects the producers and the buyers, perfecting market requirements and establishing supply opportunities. SMMEs increased their turnover by a commendable 80% from P274.5million recorded in the previous year to P495.6million in March 2021. This is attributable to robust and effective growth strategies that LEA develops for the SMMEs to transform their business operations.

Incubation Programme

The incubation model has proved to be effective in accelerating enterprises, providing access to affordable operating facilities and shared services. During the 2020-21 financial year, the five (5) LEA incubation centers had a total of 79 SMMEs in various industries including food production and processing, light industrial and manufacturing. This is an increase from 51 incubated during the 2019-20 financial year. A total of 450 jobs were created through the incubation programme, consisting of 232 and 218 jobs created by the incubated businesses and virtually incubated SMMEs respectively.

Efforts to expand incubation to other areas to benefit a wide populace are underway. Refurbishment and construction of two incubators commenced in Molepolole and Kanye, and they are expected to be operational during the 2021-22 financial year.

Capacity Development

LEA trained a significant number of entrepreneurs amid the COVID-19 restrictions. This was done through video conferencing to ensure adherence

to the COVID-19 protocols. A total of 1294 trainees attended the LEA - Botswana Qualification Authority (BQA) accredited business management courses to further sharpen their skills to operate profitable businesses. In order to inculcate an entrepreneurial culture, LEA offers Entrepreneurship Awareness Workshops (EAW) to promote enterprise development as an alternative to formal employment. A total of 40 participants attended the (EAW) workshops during the year. As at March 2021, 136 enterprises had received advanced interventions to further expand their businesses. These are ordinarily costly interventions for SMMEs; therefore, the authority subsidizes these and shares the cost with the SMMEs.

Strategic partnerships

LEA is a central point in the entrepreneurship and SMME development agenda, as a result, stakeholder engagement and partnerships are critical in the achievement of our business objectives. We therefore forged alliances with several institutions during the year, who share our vision and have the appetite to contribute towards advancement of the SMME sector in Botswana. Our strategic collaboration efforts are geared towards advancing the SMME sector to achieve local and export market access opportunities, import substitution, business growth and diversification among others. To this extent, 517 SMMEs were assisted in various ways through partnerships with stakeholders. The assistance extended included market access, training and incubation programme.

Still during this review period, the organization launched projects with high potential for employment creation and import substitution. These include a small stock farm in Ghanzi that is expected to commence operations during the 2021-22 financial year.

The farm will serve as an incubation and a training centre mainly for youth farmers to be equipped with small stock production and its value chain beneficiation to effectively supply both the local and international markets. The Francistown Industrial Business Incubator established a bottle blowing plant, which will assist with reducing the cost of bottles for bottled water manufacturers. In addition, the Authority acquired the Dikabeya farm and remodeled it to offer productive land for horticulture incubator graduates to utilize.

Furthermore, LEA identified projects that needed to be supported to extensively benefit the wider community. In this regard, the BORAVAST Trust project in the Kgalagadi South District was assisted with equipment to scale-up production, while Madikwe horticulture farmers in the Kgatleng District were coordinated and strategically positioned to continually produce and satisfy the vegetables market. This is still work in progress yet to be finalized in the next financial year.

LEA response to COVID 19

LEA continued to provide the necessary support for the SMMEs whose operations were threatened by the movement restrictions and lockdowns. Whilst the pandemic crippled the world economy, it also created new opportunities as demand for several products and services increased due to their relevance and importance in combatting COVID 19. These included protective and medical consumables such as sanitizers, cloth & surgical disposable face masks, face shields, cleaning chemicals, disinfectants, and fumigators.

LEA supported the SMME suppliers to produce and supply these products to the market. This support included

among others, facilitation of import permits for the producers to import raw materials, applications for the COVID-19 relief programmes, quality testing and compliance for essential products, facilitation of market access, funding relief and wage subsidy.

Internally, a COVID response plan was developed and implemented to minimize exposure and reduce the spread of the virus. Throughout the year, the organization remained vigilant and committed to protecting employees, clients, stakeholders, and the general public. In addition to provision of protective medical consumables, the affected employees and their families were supported through psycho-social counselling sessions.

Strategies to ensure social distancing and reduced chances of transmission of the virus included the introduction of rotation of employees and development of 'Work From Anywhere' guidelines.

Employee engagement remains a critical component of our human capital strategy. Several initiatives were launched during the financial year, which include change management initiatives that focus on high performance and values driven culture. This campaign has therefore been running under the hashtag **PeopleFirst**.

Digital Transformation

The need to swiftly adopt innovation and leverage on digital technologies to offer services online cannot be overemphasized. This need has been heightened by the current COVID 19 pandemic which has rendered normal physical interactions risky and to some extent inefficient. In order to meet the demand of the 4IR, the Digital Transformation function has been invigorated, and a Digital Transformation strategy is currently being finalized and

implementation will commence once concluded.

Acknowledgements

All the organizational achievements during the 2020-21 financial year are a result of collective effort by all stakeholders, who remained committed to the delivery of LEA mandate, despite the challenges encountered. On behalf of the entire LEA family, I convey our gratitude to the Ministry of Investment, Trade and Industry, for the support they continue to provide LEA on behalf of the Government of Botswana. The organization has over the years been able to pioneer the entrepreneurship and SMME development agenda in Botswana, made possible by sound and good relations with MITI.

The LEA Board of Directors is highly appreciated for overseeing operations and providing strategic guidance to further improve and realize our business objectives. Given the obstacles encountered during the review period, I commend the LEA human capital for their dedication in delivering the organizational strategy and exceeding performance targets. Their commitment and zeal to rise-up and serve the Botswana SMME sector is remarkable. This sterling performance will continue as we collectively work towards resuscitating businesses from the devastating effects of the COVID 19 pandemic. The SMME sector remains a beacon of hope for diversification of Botswana Economy and job creation.



Dr. Racious M. Moatshe

Chief Executive Officer

A worker in a factory setting, wearing a cap and a face mask, is focused on their work. They are positioned at a sewing machine, with their hands carefully handling a piece of fabric. The worker is wearing a dark jacket with bright yellow reflective stripes. The background shows the industrial environment of a factory. The entire image is overlaid with a semi-transparent blue filter. The text 'BOARD AND GOVERNANCE' is prominently displayed in white, bold, uppercase letters across the middle of the image.

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 continuity 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 facilitated by the Authority's Risk Management Department.

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 oversight direction to the authority 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.

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 regarding:

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

HUMAN RESOURCES COMMITTEE

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

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

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.

Board composition for the 2020-21 financial year

Member	Board Meetings	Technical Advisory Committee	Human Resources Committee	Finance and Audit Committee	Board Tender Committee
Mrs. L. Boakgomo Ntakhwana	*				
Mr. D. Lopang	*	*	*		
Mrs. B. Nkoane	*	*			
Ms. B. Champane	*			*	*
Mrs. P. Motswagole	*	*		*	
Mr. M. Nyatseng	*		*		*
Mrs. O. Chimbombi	*	*		*	
Mr. C. Mogasha	*	*	*		
Mrs. K. Molaodi	*		*		*
Mrs. B. Gofhamodimo	*			*	*

members who sit in the committees are marked *.

MEMBERS NAME	DATE APPOINTED
Mrs. Boakgomo-Ntakhwana	1 st December 2020
Mrs. Nkoane	1 st August 2020
Mrs. Molaodi	1 st August 2020
Mrs. Gofhamodimo	1 st August 2020
Mr. Chilipi Mogasha	1 st August 2020



CITIZEN ECONOMIC EMPOWERMENT

All Government and State-Owned Entities will procure locally produced goods and services to empower Citizen-Owned businesses.

The Local Enterprise Authority is coordinating a national drive to enforce public procurement of goods and services from Small, Medium and Micro Enterprises (SMMEs). The objective of this initiative is to avail market access opportunities for producers in various regions county-wide; as well as to stimulate local production, reduce importation, create employment and grow the economy.

Who qualifies?



Small and Medium Enterprises (SMEs) across all sectors of the economy.

What is required?



Local producers and service providers must comply with local procurement and licensing requirements.

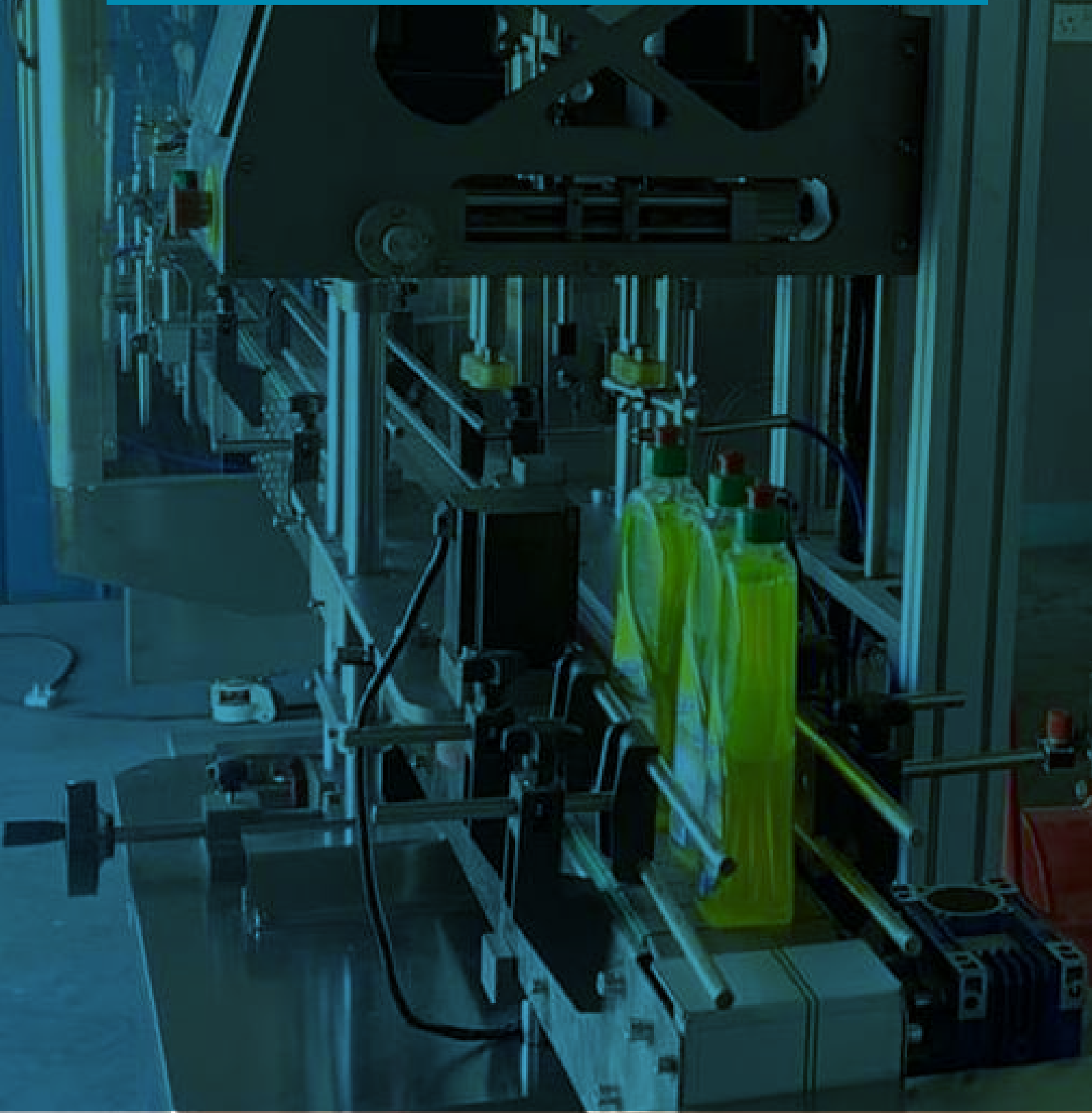
How to participate



Complete the "Local Procurement Reservation Supplier Registration Form" on smeregistration.lea.co.bw

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. Risk Registers focus on the organizations 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 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, 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.

Business Continuity plan (BCP)

LEA implements Business Continuity Plans (BCP) to ensure minimal disruption to critical business processes and operation in the event of a disaster. During the period under review, detailed

continuity plans were implemented for the following functions: Information Technology, Human Resources, Finance, and Shared services /procurement. The divisional BCPs are continually reviewed to ensure their relevance and adequacy.

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 that provides 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 and help the organisation in achieving its priorities. Moreover, Internal Audit: conducts 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 LEA Board of Directors have approved the corporate policies on which the control environment is based, as well as the policies relating to risk management and corporate governance. The 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 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.



CALL TIP OFFS ANONYMOUS TOLL FREE

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Orange: 1144

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free Fax: +27 31 502 6760

Email: lea@bw.tip-offs.com

Free Post: P O Box 448, Gaborone, Botswana

Choose your anonymous Tip-Off Method
Fax | Phone | Email | Post

A hand is shown from the bottom left, reaching upwards towards a cluster of 3D cubes. The cubes are primarily blue, with one prominent yellow cube in the center. The background is a dark blue gradient with a network of white lines and dots, suggesting a digital or technological theme.

**DEVELOPMENT OF
INNOVATIVE, COMPETITIVE
AND SUSTAINABLE SMMEs**

ACCELERATING ENTERPRISE GROWTH



Business planning and credit facilitation

LEA continues to offer business development and support services to the SMMEs country-wide, with 483 business plans finalised and submitted for consideration by funding institutions. Out of these, 140 business plans were approved, valued at P66.8m. CEDA funded about 90% of these, while the rest were funded by various financiers including NDB, ISPAAD and others. The majority of the funded businesses during the year were agriculture projects (46%), services sector at (32%) while manufacturing and tourism businesses were funded at 18% and 4% respectively. The year was largely characterised by the COVID 19 pandemic and associated movement restrictions, hence reduced activity within the tourism industry.

LEA SMMEs Turnover and Viability

Out of a total LEA portfolio of 3726 SMMEs, the turnover for the

financial year stood at P495.6m, an increase of P221.1m from the previous year. This growth in SMME turnover was largely driven by the growers and blockbusters categories, whose business operations are more advanced as compared to the micro businesses. The services and manufacturing sectors contributed significantly to this turnover, at 39% and 31% respectively. This increase in annual turnover amid COVID 19 associated challenges is attributed to the authority's heightened facilitation of market access opportunities, specifically the supply and COVID 19 related products and services.

Still within the year, 52% of the active portfolio were financially viable, and work is in progress to subject more SMMEs to the financial viability tool so that their performance is continually monitored and necessary interventions put in place to close the gaps identified. As a result of the implementation of the capacity development plans, the SMMEs survival rate stood at 89% against a target of 70%, further demonstrating the effectiveness of LEA interventions

in driving the SMMEs competitiveness and sustainability.

Creation of new SMMEs

LEA continuously recruits SMMEs into its fold to nurture them and offer targeted business interventions that will enable them to start and grow innovative, competitive and sustainable businesses. During the 2020-21 financial year, LEA created and registered 171 SMMEs across the branch network, and recruitment and client mobilization continues in order to enrol more SMMEs to benefit from the LEA services. In addition, LEA offered services to 517 enterprises through partnerships with other organizations, further enhancing strategic collaborations as a critical pillar of the LEA strategy.

Employment creation

Creation of jobs is one of the national priorities that LEA contributes to, by building SMMEs capacity to scale up and employ more people. During the 2020-21 financial year, the authority created and sustained a total of



2686 jobs throughout the branch and incubator network amid the COVID 19 pandemic.

SMEs graduating

LEA graduated a total of thirty - one (31) SMMEs from the branches and incubators, who had successfully completed their Capacity Development Plans with LEA, and their businesses deemed competitive and sustainable to operate with limited LEA handholding. These enterprises are regularly monitored for survival and where there are specific needs, LEA addresses their needs and ensure continued growth.

Market Access Facilitation

LEA facilitated for clients to participate in virtual trade exhibitions during the year, as a way to forge business linkages and networks with potential markets. Due to the COVID 19 pandemic and restrictions, exhibitions were held virtually, and LEA assisted SMMEs participated in the virtual Global Expo, Botswana Travel and Tourism Expo as well as the ITB Berlin Expo. The enterprises further used the

opportunity to connect with buyers, discuss market requirements and establish supply opportunities. As at March 2021, LEA had facilitated market access worth P95.3m for clients who supplied variety of good and services to Government institutions and the private sector among others.

Furthermore, two enterprises were supported to export their products under the review period. One operates an abattoir in Palapye and exports hides to Ghana, while the other is based at the LEA Pilane Incubator and exports honey to Namibia. Work is in progress to capacitate more SMMEs to penetrate the export market and even diversify their product lines.

Import Substitution

Import substitution remains a critical component in stimulating local production of goods and services, to reduce importation of such. A total of P105.7m worth of import substitution was realised during the review period, against the targeted P40m. This is very critical especially in the wake of COVID 19 pandemic where it has proven

difficult to import products and services from other countries. This initiative will in the near future also enhance food security and the country's ability to produce its own products and services.

Outreach programme

Despite challenges presented by the COVID 19 pandemic, efforts were made during the year to reach out specifically to areas where LEA does not have offices; to create awareness of LEA services as well as recruit SMMEs. These outreach and mobile stops are beneficial as members of public get empowered and informed on how to start, grow and expand their businesses. Mobile stops were conducted in Kgalagadi North, Kgalagadi South, Ghanzi and Lobatse.

CAPACITY DEVELOPMENT



Through targeted and impactful interventions, the Authority was able to build the capacity of SMMEs, transform their businesses and drive their competitiveness and sustainability in the marketplace. These interventions fully benefit the enterprises and among others increase their ability to manage their businesses efficiently, to access markets and realise growth.


Training and skills development

Training and skills development interventions were offered to both potential and existing entrepreneurs with 1294 trained on Entrepreneurship Development, Business Planning, Records Keeping and Customer Service. Amongst the trainees, 485 were LEA assisted enterprises while 809 were external clients that needed to acquire skills on business management aspects, from both the Government institutions and the private sector:

Furthermore, 40 people were taken through the LEA Entrepreneurship Awareness Workshops (EAW). The workshops introduce entrepreneurship and business management concepts to participants, with the intention to develop their interest in starting businesses as an alternative to formal employment.

Coaching and mentorship

LEA offered 136 advanced interventions during the 2020-21 financial year. These included nutritional and food safety testing, Branding, Packaging & Labelling, Quality Management Systems & certification, ICT and digital solutions and human resources policies. All these mentoring services empower the SMMEs and enable them to work efficiently and achieve their business goals, especially during challenging times presented by the COVID 19 pandemic. The LEA mentorship also consists of coaching the enterprises to ensure proper implementation of turnaround strategies, so that business growth is realised.

A close-up photograph of an incubator's interior. The scene is dominated by a grid of white, oval-shaped eggs. Several clear plastic test tubes are placed vertically among the eggs. The entire scene is bathed in a warm, glowing red light, creating a sense of heat and biological activity. The background is dark, making the illuminated eggs and test tubes stand out.

LEA INCUBATION PROGRAMME

LEA INCUBATION PROGRAMME

GLEN VALLEY HORTICULTURE INCUBATOR

The Incubator trains and nurtures both aspiring and existing horticulture entrepreneurs to establish sustainable and commercially viable businesses. The objective of the programme is to equip trainees with practical and technical skills to enable them to manage sustainable horticulture projects with focus on vegetable production.

During the nine (9) months incubation programme, the trainees get exposed to the latest horticulture infrastructure and technologies such as greenhouses, tunnels, net houses and hydroponics; to upskill them with best agricultural practices, as well as crop management and protection techniques. Trainees were also taken through open field production for crops such as cabbage, cauliflower, lettuce and broccoli. In addition, they benefited from the business coaching, mentoring and technology support services as well as best practices on the usage and management of farm inputs such as seedlings, fertilizers, pesticides, and spraying equipment. During the 2020-21 review period, 43 trainees graduated from the Glen Valley Horticulture Incubator.



Start.
Grow.
Expand

GABORONE LEATHER INDUSTRIES INCUBATOR

Gaborone Leather Industries Incubator is a specialized facility that nurtures businesses mainly in leather products manufacturing. The incubator has also introduced incubation of other products' manufacturing and provided them with subsidized operational factory shells and office space, as well as technical and business management support. During the period under review, a total of eight (8) businesses were incubated, manufacturing a variety of goods and services which included leather goods, textile & clothing, cosmetic products, disposable face masks manufacturing and upholstery services.

The enterprises continued to supply a variety of markets including sub-contractors at the mines with leather protective wear. The businesses also supplied the Okavango-sub district council with leather school shoes for the Social and Community Development beneficiaries in the district. They have also manufactured and supplied clothing merchandise to local companies such as security companies and local premier league football teams. All the eight businesses incubated at the Leather Industry Incubator during the 2020-21 financial year employed a total of 26 people. Three (3) enterprises manufacturing leather, canvas products and upholstery services graduated from the incubator during the financial year.



Start. Grow. Expand

FRANCISTOWN INDUSTRIAL BUSINESS INCUBATOR

The Incubator is a light industrial and manufacturing facility that provides business and technical interventions to incubated SMMEs. During the period under review, the incubator had nine businesses occupying nine factory shells; and two factory shells reserved for group trainings on bread and Confectionery as well as cleaning chemicals manufacturing.

The nine incubated businesses created 15 jobs. These included cleaning chemicals, manufacturing, textiles, welding and steel fabrication amongst others.

Under the training programme, a total of 51 trainees graduated in bakery and confectionary making. Sixteen (16) of the graduates are now fully operational through funding from Youth Development Fund and other government programmes; and have created a total of 46 jobs. One (1) client, graduated from FIBI during the 2020-21 financial year. The business primarily manufactures egg incubators, hatchers, brooders and layers cages. It has sustainably diversified and opened another branch in Masunga focusing in the supply of animal feeds, general agriculture related products and equipment.

The incubator managed to install and commission a bottle blowing machine with a capacity of 500 bottles per hour. The project concept is to supply water bottles at subsidized prices and relieve the water purification and bottling businesses the challenges associated with shortage of bottles, that often inhibit them from producing and supplying as per the market requirements.



Start.
Grow.
Expand

PILANE MULTI-PURPOSE INCUBATOR

This is a multi-purpose facility that incubates businesses specialising in food processing and light industrial manufacturing. Whilst under incubation with subsidized rentals, the clients receive technical and business support interventions from LEA, to accelerate their growth and position them to compete in the marketplace.

The incubator had 11 enterprises with five operating food processing businesses and six specializing in operating light industrial manufacturing. The food court comprised of indigenous foods, meat processing, peanut butter, honey processing and ginger beverages enterprises; while the light industry businesses included manufacturing of hair products, cleaning chemicals, furniture manufacturing as well as cosmetic products. All these created 52 jobs in total.

Still during the review period, the honey processing business managed to open two branches in Francistown and Windhoek, Namibia where they export the processed honey.

The incubator graduated five (5) clients in food processing, cleaning chemicals manufacturing, wood & carpentry works as well as product engraving services. These businesses are currently operational in Gaborone and Pilane.



KUTLA INCUBATOR CENTRE

The Kutla Incubation Centre in Gaborone provides subsidized factory shells and office space to eight incubated enterprises; as well as technical and business management training to advance these businesses.

The incubator had eight enterprises, one offering services and seven manufacturing various products.

The incubated projects consisted of food and non-food products, water purification, bread and confectionery making, food condiments and sauces, cosmetic and fragrances as well as medical consumables. All these businesses created 53 jobs during the year. In addition, Kutla Incubator Centre trained a total of 20 people on

Bakery & Confectionery making as well as detergents manufacturing.

Whilst incubated, LEA facilitates all other services needed to scale-up the enterprises, including the necessary testing, certification and acquisition of standards that enable expansion and accelerated growth of these projects.



Start.
Grow.
Expand



LEA PROJECTS

Ghanzi Small Stock

LEA is in the process of establishing a small stock incubator at Okwa Valley in the Ghanzi District. The objective of the project is to promote commercialization of small stock production in the region, to capacitate Small stock farmers on practical husbandry management skills as well as to inculcate entrepreneurship culture amongst smallholder farmers. Incubated farmers will be trained on small stock production and marketing; and provided with business management skills to operate their businesses successfully post incubation period. As at 31st March 2021, two boreholes were drilled and fencing started, and paddocking will commence in the 2021- 22 financial year.

Dikabeya

In an effort to facilitate farmers and grow the horticulture sector, LEA acquired agricultural land from the Ministry of Agriculture and Food Security in Dikabeya and allocated it to Glen Valley Horticulture Incubator

graduates to farm commercially. The objectives of the project are to improve horticulture productivity in the country by providing productive land to accelerate growth of businesses and instill entrepreneurship culture amongst horticulture farmers, as well as to train them on new horticultural technologies to increase production.

The following components were achieved during the 2020-21 period: refurbishment of infrastructure; Installation of drip irrigation system and pumps for five (5) hectares open field; identification of farmers who are currently producing in this serviced horticultural land. This project was a response to an outcry for suitable productive land by the youth entrepreneurs who graduate from the LEA horticulture incubation programme. Work is in progress to identify more land that farmers can utilize to produce horticulture products which are currently imported in high volumes.

Madikwe

LEA identified Madikwe area in the Kgatleng region as a suitable area for vegetable production, as the area has a reliable source of water from Madikwe river. The authority came in to facilitate and coordinate the farmers to engage in commercial farming that will enable them to consistently supply the horticulture markets throughout the year. Currently, a total area of 36.8 hectares is under production with an estimated yield of 766.6 tons. The 31 farmers from the six villages along Madikwe river produced and supplied various vegetables including cabbage, carrot, beetroot, tomato, butternut, watermelons and sweet pepper.

The farmers were additionally assisted to develop cropping plans that are aligned to the needs of the market, and they were further linked through buyer seminars for them to discuss market requirements and establish supply relations with the buyers. Still during the year, the Madikwe farmers were trained on business management principles

and courses on Records Keeping and Entrepreneurship Development, that equipped them with skills to manage their businesses efficiently.

BORAVAST

The Authority has been working with the BORAVAST Trust based in Bokspits, to find ways of improving this community project and enhancing its growth and benefits to the communities of Bokspits, Rappelspan, Valhoek and Struizendam. The trust harvests and processes an invasive tree species popularly known as Sexanana (Prosopis Mesquite) into various products such as charcoal and livestock feed.

During the 2020-21 financial year, LEA started procurement of equipment necessary to advance this project to the next level. These include two trailers, heavy duty Fodder Processors, four Chain Saws, Trailer Mounted Log Cutter, 2-tonne Delivery Cargo Trailer and office furniture. The LEA involvement will also extend to targeted business interventions such as business management training, mentoring, coaching, and others that will enable the project to operate profitably and remain sustainable.

Industry Support Facility for the Informal Sector

The COVID-19 pandemic has had a negative impact on the economy, and has affected businesses across all sectors. Government has introduced various interventions, aimed at assisting businesses to recover from the effects of the pandemic. The Industry Support Facility was introduced to provide the much needed financial assistance to businesses, which is critical for the successful delivery of Government's Economic Recovery and Transformation plan. The facility offers targeted and tailored interventions to different categories of businesses in the various sectors of the economy.

During 2020-21, LEA administered the Industry Support Facility for the Informal Sector, which is an important contributor to the economy that creates jobs and support livelihood. As at 31st March 2021, LEA had processed and successfully disbursed P19,772,000.00 to 19772 eligible informal sector businesses. Registration of informal sector businesses and disbursement of the once-off P1,000.00 grant will continue into the 2021-2022 financial year.

Preferential procurement from SMMEs

In a continued effort to empower citizen owned businesses and accelerate their growth, the Government made a pronouncement that all Government and State Owned Enterprises (SOE) will procure goods and services from citizen owned businesses, specifically from the SMMEs in their respective

regions. This initiative aims at driving citizen economic empowerment through public procurement. It is also expected to resuscitate the SMME sector after being negatively affected by the COVID 19 pandemic, resultant movement restrictions and lockdowns. The initiative will also increase SMMEs participation in public procurement through market access opportunities, resulting in SMME sector growth, employment creation, import substitution and economic diversification.

LEA working in partnership with stakeholder institutions, coordinates this strategic national project and monitors its implementation and progress. By 31st March 2021, SMME producers had already registered in the database to benefit from this dispensation. Finished leather goods are ready for export

LEATHER INDUSTRY PARK

The Leather Industry Park concept (LIP) was developed in 2012 in response to the declining tannery and leather industry in Botswana. It will have the capacity to sell finished bovine, goat/sheep skin, exotic leather and finished leather products to both the local and international markets. The Leather Industry Park is also anticipated to propel the growth of the leather industry in Botswana by availing opportunities in upstream and downstream activities in leather processing.



The Project will contribute towards the Sustainable Development Goals (SDGs) by ensuring that rural communities participate meaningfully in the economy by supplying the LIP with hides and skins. The farmers are already being encouraged to practice proper animal husbandry, which will yield good quality hides and skins to be processed in the Leather Industry Park.

PARTNERSHIPS

LEA continues to identify strategic partners who have the capability to complement the organisation's mandate and enhance our service delivery to the nation. During the 2020-21 financial year, the Authority collaborated with various institutions to further develop entrepreneurship and SMME sector in Botswana.



Lucara

LEA partnership with LUCARA centers around entrepreneurship and enterprise development, specifically on provision of capacity building initiatives to support LEA assisted enterprises and LUCARA SME projects. The collaboration focusses on offering appropriate entrepreneurship and business management skills, business advisory, on-site enterprise coaching and mentorship to assist entrepreneurs to start, grow and expand their businesses; as well as commercialization of community projects that have the potential to create employment and contribute towards economic growth and diversification. The two institutions

will collectively facilitate resources required to accelerate SMME growth and implement impactful interventions that support business development and support services needed by the SMME sector.

Absa Bank

Both LEA and Absa Bank complement each other's mandate and collectively focus on entrepreneurial skills development, capacity development interventions and resources needed to advance the SMME sector. The focus includes provision of business management skills, coaching and mentorship programmes to benefit both Absa Bank and LEA clients as well

as joint research to identify business opportunities that could benefit the SMMEs.

Botswana University of Agriculture and Natural Resources

This collaboration focuses on the field of education and entrepreneurship development. The partnership also offers skills development in the agriculture and natural resources sector, capacity building and provision of targeted interventions to develop the SMME sector as well as provision of facilities to benefit both LEA and BUAN business objectives.



The partnership resulted in the establishment of a Graduate Entrepreneurship Programme through which BUAN graduates are incubated and allocated pieces of land at BUAN to start-up agricultural projects; and LEA offers business management, mentorship and capacity development interventions to sustain their projects. On the other hand, BUAN provides factors of production including production land, inputs and monthly subsistence allowance to the participating graduates.

Through this partnership, several youth projects were incubated including poultry (layers and broilers), piggery, vegetable & herbs production and dairy products manufacturing. The Graduate Entrepreneurship Programme will assist create employment, increase local production and reduce importation.

Botswana Bureau of Standards

This joint effort will among others focus on offering appropriate awareness creation among SMMEs to adopt international standards (ISO certification) testing, certification,

inspection and equipment calibration when supplying both the local and export markets. The partnership further demonstrates commitment to expose entrepreneurship and business management training on standards and quality assurance. Both LEA and BOBS are also committed to provide support to the SMME sector and facilitate testing of products for specified parameters for quality assurance and compliance with the acquired standards.

Debswana and Tokafala

LEA collaborated with Debswana and Tokafala on market access facilitation where SMMEs would participate in the mines citizen empowerment and supplier development programme; to supply the mines with goods and services.

This initiative is expected to boost SMMEs production capacity, create employment and reduce importation of goods and services.

Botswana National Productivity Centre

In the wake of the COVID 19 pandemic and the need to protect the LEA workforce and reduce exposure, LEA partnered with BNPC for the provision of Work From Anywhere (AFW) solution; which will fully resource and enable high performance as employees work outside the office to combat COVID 19.

AMPLIFICATION OF THE LEA BRAND



In 2018 LEA launched the new 2018-2023 strategy, with a new business model incorporating all SMMEs across sectors of the economy; fostering innovation and technology as well as intensifying collaborations with significant and relevant stakeholders. There was a need to position the LEA brand in alignment with the new strategic direction, hence the Authority embarked on a brand repositioning project with the objective to position LEA as the go-to business development institution in the country.



A brand perception audit was conducted to establish LEA's brand performance, where the following three perspectives were analyzed: self-representation, stakeholders, and employee perceptions. This involved surveys on employees, clients, stakeholder institutions, LEA supported enterprises and members of the public.

The audit findings revealed that the LEA brand is positively perceived, as proven by a brand perception index of 71. The survey further showed that LEA is a well-known brand name, with an understanding of what the organisation stands for. However, a need was identified to further demonstrate the LEA mandate and services to create more awareness. As a result a Marketing, Public Relations and Communications strategy was developed to address the findings and its implementation will continue in the 2021-22 financial year.



PROJECT FACILITATION FUND

The fund is intended to facilitate high impact start-ups and existing businesses, to ensure competitiveness and sustainability of the Small, Medium and Micro Enterprises.

REGISTRATION

- Register your business at the nearest LEA branch.
- Fill the application form.

ASSESSMENT

- LEA assesses application for compliance.
- LEA recommends the proposal to CEDA for funding.

FUNDING

- CEDA assesses recommendation from LEA.
- Client pays contribution.
- CEDA directly pays service providers.
- LEA monitors implementation of service and the entire project.

DIGITAL TRANSFORMATION, TECHNOLOGY AND INNOVATION



During the 2020-21 financial year, the Authority undertook automation of processes, collaboration, and online services; which included the national online registration of SMMEs, which created a database of formal and informal businesses. In addition, LEA registered the SMMEs (producers of goods and suppliers of services) to benefit from the national preferential procurement initiative, which seeks to empower citizen owned businesses through public procurement.

In order to support the 'Work From Anywhere' initiative and ensure business continuity during the lockdown periods, the organisation installed internet to 67 Staff homes, hence continued delivery and performance amid the challenges posed by the COVID 19 pandemic.

Digital Transformation

LEA is currently developing a Digital Transformation Strategy that will promote self-service, data collection and analytics. This will enable the organisation to be more customer centric through provision of service via different channels (Website, App and through a Contact Centre (Virtual Assistance, Chat, SMS, and social media). We have also improved our communications and message spread through adoption of digital marketing techniques such as Google Ads, where we share critical stakeholder information, profile our clientele and re-emphasise our projects and services.

Technology Entrepreneurs & Partnerships

During the year, technology entrepreneurs developed technologies that ranged from solutions such as e-commerce platforms, e-Tourism and e-education among others. Work is in progress to establish partnerships with local enterprises to encourage consumption of these local products and solutions.

Market Intelligence

LEA is currently building internal capacity through people, process and technology for gathering data and incorporating its business operations to make it easy to fulfil our mandate; and also to adequately build critical data about the SMME sector in Botswana.

HUMAN CAPITAL

During the period under review, LEA focused on the Culture Transformation project, to become a High-Performance Organisation through the practice and process of Change Management. This strategic project implements change through various initiatives geared towards assisting LEA to achieve its strategic intent through its valued human capital.

Culture transformation and change management

This is an ongoing process that was initiated following the business remodelling and restructuring exercise. Subsequently, there was a series of change management projects that specifically seek to transform LEA culture and enable the organisation to pursue its mandate in the most efficient way; by adopting a high-performance values driven culture.

Several interventions have been under implementation including among others the employee engagement initiatives; human capital transformation processes; as well as digital solutions for effective human capital service delivery and corporate governance. In addition, other initiatives were targeted towards employee value proposition which will enable us to attract and retain key talent; and facilitate an enabling environment to enhance employee motivation.

Leadership effectiveness and development

The Authority took deliberate steps to ensure that all employees holding leadership roles are well capacitated to perform their roles and support their teams and in particular to lead the change to transform LEA Culture. A Leadership 360 assessment was therefore carried out to determine the baseline and identify leadership development gaps; and targeted interventions were put in place to close the identified gaps. This was to also support and lead the culture transformation by modelling LEA values with particular emphasis on ensuring that the leadership team is self-driven, entrepreneurial, transformational in their roles and are able to form strategic partnerships that will drive the change.

During the 2020-21 financial year, 33 members of Staff enrolled in the Management Development Programmes at varying levels to build the requisite leadership competencies.

Employee engagement

Following conduction of the employee engagement and satisfaction survey in 2020, efforts continue to be made to ensure that employees are always motivated and survey recommendations also implemented to attain productive and dedicated workforce. This saw the adoption of new ways of doing things especially with regards to the human capital function. The new approach brought about a human touch to human capital solutions, hence our tag line **#PeopleFirst**, which has been a cornerstone of our interventions throughout the year.

Human Resource processes were aligned to be more user friendly, digital solutions were adopted, employee wellness and team building initiatives were carried out at all LEA stations country-wide. In addition, development of Talent Management policies and strategy has commenced, and will be concluded during the 2021-22 financial year.



Employee Relations

The Authority continued to engage transparently with Botswana Public Employees Union on matters of Staff welfare as per with the Collective Labour Agreement.

COVID-19 Response

It has been a challenging time for the nation and indeed the LEA human capital since the advent of COVID-19. However, the Authority has relatively managed to keep the situation under control especially by ensuring minimal exposure of employees. In response to the pandemic, a response Team was set up specifically to monitor the COVID-19 situation, advise management on interventions to be put in place, identify risks and ensure compliance to all COVID -19 protocols, and that Staff and stakeholders are protected.

Interventions that were put in place include but not limited to the implementation of 'Work Anywhere'

to decongest offices; distribution of covid care packs in the form of recommended immune boosters; provision of fruit baskets to employees who tested positive for Covid-19 and purchasing of protective necessities such as face masks, sanitisers and face shields for Staff.

Staff Establishment

LEA had a total of 175 employees as at 31st March 2021, most whom are within the client facing/core business divisions.

Government Internship Programme

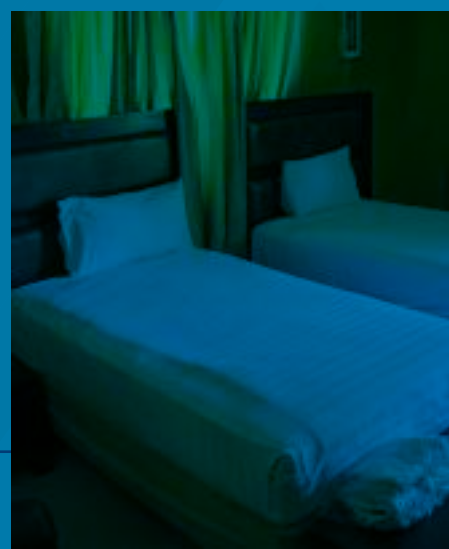
LEA continues to support the Government Internship Programme and has attached graduates in both core business and support services departments. During this review period, 12 intern officers were placed, enabling them to learn and gather requisite expertise to use in their future employment.





GRADUATED

ENTERPRISES 2020/ 2021





THE AGRISTOP (PTY) LTD

Director	Aobakwe One Mpusetsang
Location	Molepolole
Product/ Service	<ul style="list-style-type: none"> Agricultural Shop (Animal feeds and Agric inputs supplies)
Number of employees	3
LEA Interventions	<ul style="list-style-type: none"> Training on Business Planning, Entrepreneurship Development, Sales and Marketing and Records Keeping Business Advisory Coaching and Mentoring Services
Contacts	<p>Tel: 74180303 Email: agristop58181@gmail.com Facebook: The Agristop (Pty) Ltd</p>



Start.
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Expand



OKANYATSA MULTI RES

Director	Sesame Gabaraane
Location	Molepolole
Product/ Service	<ul style="list-style-type: none"> Accommodation Services (Multi Residential Property)
Number of employees	(One) 1
LEA Interventions	<ul style="list-style-type: none"> Business Plan Development Training on Records Keeping Business Advisory Coaching and Mentoring Services
Contacts	<p>Tel: 74 180303/ 71 642214</p> <p>Email: okanyatsa@gmail.com</p>



HOPE BROMO HOLDINGS (PTY) LTD

Director	Mogomotsi T. Kgabung
Location	Lethakeng
Product/ Service	<ul style="list-style-type: none"> • Restaurant and Catering Services
Number of employees	12
LEA Interventions	<ul style="list-style-type: none"> • Training on Entrepreneurship Development, Bookkeeping, Customer Service and Supervisory Skills • Branding Facilitation • EDD registration • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 71702338</p> <p>Email: hopebromoholdings@gmail.com</p> <p>Facebook: Hope Bromo Holdings</p>



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BONES TRAVEL & TOURS

Director	Bone Molamu
Location	Molepolole
Product/ Service	<ul style="list-style-type: none"> • Transport Services
Number of employees	4
LEA Interventions	<ul style="list-style-type: none"> • Training on Records Keeping and Business Planning • Branding, Packaging and Labelling • Business Advisory Services • Coaching and Mentoring Services
Contacts	Tel: 72227773





MARANATHA ACADEMY OF EXCELLENCE

Director	Serara Moahi
Location	Kanye
Product/ Service	<ul style="list-style-type: none"> • Primary and Secondary School
Number of employees	83
LEA Interventions	<ul style="list-style-type: none"> • Business Plan Development • Training on Record Keeping • Financial Viability Tool • School Management System • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 548 0996 /71235292/ 75015809</p> <p>Email: maepschool@gmail.com</p> <p>Facebook: Maranatha Academy of Excellence</p>



LAUNDRY EMPORIUM

Director	Jill Motlhagodi
Location	Jwaneng
Product/ Service	<ul style="list-style-type: none"> • Laundry & Dry Cleaning
Number of employees	10
LEA Interventions	<ul style="list-style-type: none"> • Business Plan Development • Market access Facilitation • Training on Records Keeping • Financial Viability Tool • Facilitation of Branding • Business Advisor Services • Coaching and Mentoring Services
Contacts	<p>Tel: 72272802/ 72430183/ 5883079</p> <p>Email: jdmotlhagodi@gmail.com</p>



SITE R' (PTY) LTD

Director	Dikitso Kolokose
Location	Ghanzi
Product/Service	<ul style="list-style-type: none"> • Cleaning & Waste Management Services (skip rental, refuse collection, wheelie bin rental, septic tank emptying, sewer line unblocking, mobile toilets cleaning), executive and regular mobile toilets hire (flushable and non-flushable), pest and termites control)
Number of employees	21
LEA Interventions	<ul style="list-style-type: none"> • Training on Entrepreneurship Development, Records Keeping, Sales and Marketing, Customer Care, First Aid, Occupational Health and Safety • Market Access Facilitation • Trade Fair Participation • Facilitation of Branding, Website Development and Implementation • Facilitation of PPADB and EDD Certification (Compliance to procurement procedures and regulations) • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 71479350 / 73068500</p> <p>Email: site.r@outlook.com</p>



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LEFA WELDING ENGINEERING (PTY) LTD

Director	Lefatshe Ndebele
Location	Gaborone
Product/ Service	<ul style="list-style-type: none"> • Manufacturing (aluminum welding, trailers, skips, sewage vacuum tanks, truck bodies, grease traps, oil separators, general welding) • Repairs (gearbox, sewage tanks, vehicle diagnostics & mag repairs)
Number of employees	14
LEA Interventions	<ul style="list-style-type: none"> • Business Plan Development • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 71266124 /3901414</p> <p>Email: lefaweldingengineering@yahoo.com</p> <p>Facebook: Lefa Welding Engineering</p>





ADONAY INVESTMENTS (PTY) LTD

Director	Beatrice Mbulawa
Location	Gaborone
Product/Service	<ul style="list-style-type: none"> • Furniture Manufacturing & Upholstery
Number of employees	8
LEA Interventions	<ul style="list-style-type: none"> • Market Access Facilitation • Trade Fair Participation • Financial Viability Tool • Facilitation on Branding, Packaging and Labelling • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 77611510</p> <p>Email: agripa.mbulawa@gmail.com</p>



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KHOKHA MOYA GUESTHOUSE

Director	Lesedi Mokgwathi
Location	Gaborone
Product/Service	<ul style="list-style-type: none"> • Guest House (Accommodation, Restaurant and Catering Services)
Number of employees	3
LEA Interventions	<ul style="list-style-type: none"> • Business Plan Development • Business Advisory • Coaching and Mentoring Services
Contact	<p>Tel: 3161224 / 71290906 / 76181621</p> <p>Email: lesmokgwathi@gmail.com</p>



MAETO LODGE

Director	Babedi Molebatsi
Location	Serowe
Product/Service	<ul style="list-style-type: none"> • Guest House (Accommodation, restaurant and catering services)
Number of employees	19
LEA Interventions	<ul style="list-style-type: none"> • Training on Entrepreneurship Development, Record Keeping, Food and Beverages • Facilitation of Market Access • Trade Fairs Participation • Branding, Packaging and Labelling • Technology Gap analysis • Business Advisory • Coaching and Mentoring Services
Contact	<p>Tel: 7124 9099</p> <p>Email: maetohotelresrvations@gmail.com</p> <p>Website: www.maetolodge.co.bw</p>



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SEROWE CANVAS & TENTS

Director	Omphemetse Kgotlaetsile
Location	Serowe
Product/ Service	<ul style="list-style-type: none"> • Manufacturing, Repairing & Hiring of Tents and Upholstery (Camping equipment, truck covers, canopy covers, taunie covers, canvas and tarpaulin products)
Number of employees	8
LEA Interventions	<ul style="list-style-type: none"> • Training on Entrepreneurship Development, Records Keeping, Sales & Marketing, Customer Care • Financial Viability Tool • Market Access Facilitation • Branding, Packaging and Labelling • Technology Gap Analysis • Quality and Productivity Gap Analysis • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 4630869/71520570/72783656</p> <p>Facebook: Serowe Canvas & Tents</p> <p>Email: serowecanvas@gmail.com</p>



MVIMI ENTERPRISES (PTY) LTD

Director	Msindisi Majama
Location	Francistown
Product/Service	<ul style="list-style-type: none"> • Public Transport (Buses)
Number of employees	9
LEA Interventions	<ul style="list-style-type: none"> • Business Plan Development • Training on Entrepreneurship Development, Records Keeping, Quick Books, Customer Service, Fire Drill Operations • Market Access Facilitation • Branding Packaging and Labelling • Intellectual Property Awareness • Facilitation of Market Strategies • Human Resource Policies and Procedures • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 71742395/73742395/2415812</p> <p>Email: mvimi.enterprises@yahoo.com</p>



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SET-MAK ORANGE FARM (PTY) LTD

Director	Daniel Makwana
Location	Molalatau
Product/Service	<ul style="list-style-type: none"> • Horticulture (oranges, watermelons, maize)
Number of employees	4
LEA Interventions	<ul style="list-style-type: none"> • Business Plan Development • Training on Records Keeping, Sales and Marketing • Market Access Facilitation • Technology Audit and Sourcing • Branding, Packaging and Labeling • Intellectual Property Awareness • Benchmarking from established Farms • Coaching on Practical Fertilizer Management • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 73848411/72696506/71822007</p> <p>Email: danmakwana57@gmail.com</p>





HIGHEST POINT (PTY) LTD

Director	Molatlhegi Mabelebele
Location	Molalatau
Product/Service	<ul style="list-style-type: none"> • General Dealer (bulk goods, take away, fresh produce and butchery)
Number of employees	4
LEA Interventions	<ul style="list-style-type: none"> • Business Plan Development • Training on Entrepreneurship Development, Safety • Market Access Facilitation • Financial Viability Tool Facilitation • Facilitation of PPADB Certification (Compliance to procurement procedures and regulations) • Business Advisory • Coaching and Mentoring Services
Contacts	Tel: 75357979/76177752





JATINWA (PTY) LTD

Director	Tidimalo Ngwako
Location	Maunatlala
Product/Service	<ul style="list-style-type: none"> • Brick Manufacturing (Brick Moulding)
Number of employees	12
LEA Interventions	<ul style="list-style-type: none"> • Business Plan Development • Market Access Facilitation • Training on Customer Care, Occupational Safety, Health Welfare Inspection, Quickbooks • Technology Audit and Gap Analysis • Benchmarking from established brick moulding companies • Book keeping • Business Advisory • Coaching and Mentoring Services
Contacts	Tel: 71697685



SEBATA KGOMO (PTY) LTD

Director	Betty Kgathi
Location	Bobonong
Product/ Service	<ul style="list-style-type: none"> • Lodge (Accommodation, Restaurant and Catering Services)
Number of employees	16
LEA Interventions	<ul style="list-style-type: none"> • Branding Packaging and Labelling • Facilitation of PPADB Certification (Compliance to procurement procedures and regulations) • Training on Customer Care, First Aid and Fire Management • Market Gap Analysis • Market Linkage Facilitation • Business Advisory • Coaching and Mentoring Services
Contacts	Tel: 2619707 / 71898696 Email: bettykgathi@gmail.com



Start.
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Expand

KHWEE SANDS LODGE

Director	Masego Keleadile
Location	Letlhakane
Product/ Service	<ul style="list-style-type: none"> • Guest House (Accommodation)
Number of employees	4
LEA Interventions	<ul style="list-style-type: none"> • Tourism Awareness Workshop • Technology Sourcing • Training on Customer Care, First Aid and Fire Management • Quick Books and Hotel Reservation Software Installation • Process Improvement- Front Desk Operations and Housekeeping • Business Advisory • Coaching and Mentoring Services
Contacts	Tel: 2976621 / 71399862 Email: khweesands@gmail.com Website: www.khweesandslodge.com



THE CURVE GUEST HOUSE

Director	Tlhomamiso Mogaetsho
Location	Letlhakane
Product/ Service	<ul style="list-style-type: none"> • Guest house (Accommodation, Restaurant and Catering Services)
Number of employees	19
LEA Interventions	<ul style="list-style-type: none"> • Training on Customer Care, First Aid and Fire Management, Record Keeping • Tourism Awareness Workshop • Technology Sourcing • Quick Books and Hotel Reservation Software Installation and Training • Process Improvement- Front Desk Operations and Housekeeping • Business Advisory • Coaching and Mentoring Services
Contacts	Tel: 2910160 / 71698580 Email: thecurveguesthouse@gmail.com



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Expand

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IKAGO PROPERTY HOLDINGS T/A SEELO GUEST HOUSE

Director	Tlhokomela Setlhomu
Location	Maun
Product/ Service	<ul style="list-style-type: none"> • Guest house (Accommodation, Restaurant and Catering Services)
Number of employees	6
LEA Interventions	<ul style="list-style-type: none"> • Training on Records Keeping, Customer Care, First Aid and Fire Management • Tourism Awareness Coaching • Technology sourcing • Process Improvement- front desk operations and housekeeping • Business Advisory • Coaching and Mentoring Services
Contacts	Tel: 71301230 Email: seeloguestaccomodation@yahoo.com

KAZIIKINI CAMPSITE & CULTURAL VILLAGE

Director	Mompoloki Saziba
Location	Maun, NG 33 Concession, Sankuyo
Product/Service	<ul style="list-style-type: none"> Accommodation, camp site, game drive, meals, cultural tours & mokoro ride
Number of employees	109
LEA Interventions	<ul style="list-style-type: none"> Training on Records keeping, Customer Care Financial Viability Tool Technology Gap Analysis Market Access Facilitation Corporate Governance & Policies Business Advisory Coaching and Mentoring Services
Contacts	Tel: 6800664/73654001/71468270



Start.
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Expand



MAKGOVANGO LUXURY INN

Director	Chowela Boikanyo
Location	Gumare
Product/Service	<ul style="list-style-type: none"> • Luxury Inn (Accommodation, Restaurant, Catering Services, Conference Facility, Entertainment Centre)
Number of employees	18
LEA Interventions	<ul style="list-style-type: none"> • Business Plan Development • Training on Record keeping, Customer Care • Market Access Facilitation • Branding, Packaging and Labelling • Intellectual property awareness • Export Awareness Workshops • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 6840881/73038027</p> <p>Email: makgovangoinn@yahoo.com</p> <p>Facebook: Makgovango Luxury Inn</p> <p>Website: www.makgovango.com</p>



LULAMISANI GENERAL

Director	Rodah Majaha
Location	Nata
Product/Service	• General Dealer
Number of employees	3
LEA Interventions 7)	<ul style="list-style-type: none"> • Training on Entrepreneurship Development, Sales & Marketing, Record Keeping, Customer Care • Financial Viability Tool • Branding Packaging & Labeling Awareness • Market Access Facilitation • Budgeting, Costing and Pricing Training • Coaching on Computer Awareness, Food Handling and Safety • Facilitation of Development of Business Policies & Processes, Project Status Report, Financial Management Operational Manual, Governance Policies & Processes, Financial Management Policy • Business Advisory • Coaching and Mentoring Services
Contacts	Tel: 71716188



Start.
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Expand

JOIBA INVESTMENTS

Director	Rodah Majaha
Location	Mulambakwena
Product/Service	• General Dealer
Number of employees	3
LEA Interventions	<ul style="list-style-type: none"> • Training on Entrepreneurship Development, Record Keeping, Sales & Marketing, Customer Care, Quick books, Food Handling and Safety, Budgeting, Costings and Pricing • Financial Viability Tool • Branding Packaging & Labeling • Market Access Facilitation • Branding, Labeling and Packaging Training • Trade Fair Participation • Budgeting Costing and Pricing Training • Business Advisory • Coaching and Mentoring Services
Contacts	Tel: 71716188



FEEMASTER T/A BUYEZELO GUEST HOUSE

Director	Patrick Maphorisa
Location	Masunga
Product/Service	<ul style="list-style-type: none"> Accommodation, Restaurant, Catering Services, Conference Facility
Number of employees	5
LEA Interventions	<ul style="list-style-type: none"> Training on Entrepreneurship Development Records Keeping, Customer Care Financial Viability Tool Technology Sourcing Market Access Facilitation Facilitation of Compliance for Grading Business Advisory Coaching and Mentoring Services
Contacts	Tel: 2489655/7 657016 Email buyezeloguesthouse@gmail.com



Start.
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ZWIYAPO INVESTMENTS

Director	Mbako Malomo
Location	Masunga
Product/Service	<ul style="list-style-type: none"> • General Dealer
Number of employees	4
LEA Interventions	<ul style="list-style-type: none"> • Training on Entrepreneurship Development Records Keeping, Customer Care • Financial Viability Tool • Technology Sourcing • Market Linkages • Business Advisory • Coaching and Mentoring Services
Contacts	Tel: 75424909/2986307



INA LEBE

Director	Tumelo Mathias
Location	Gaborone
Product/Service	<ul style="list-style-type: none"> • Engraved Products and Gifting
Number of employees	3
LEA Interventions	<ul style="list-style-type: none"> • Business Incubation • Market Linkages • Market Access Facilitation • Training on Records and Keeping, Occupational Safety and Health • Technology Sourcing • Website development • Business expansion (tendering and new store outlet) • Development of Operational and Human Resources Policy Documents • Acquisition of Trading license • Labour Relations • Business Advisory • Coaching and Mentoring Service
Contacts	<p>Tel: 72208872 Email: info@inalebe / sales@inalebe.com Facebook: Ina Lebe Twitter: @Ina_Lebe Instagram: inalebe 20 Website: www.inalebe.com</p>



Start.
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Expand

EARTH VITAMINS

Director	Thabo Molefe
Location	Pilane
Product/Service	• Biltong and Meat Products
Number of employees	25
LEA Interventions	<ul style="list-style-type: none"> • Business Incubation • Business Plan Development • Market Linkages • Market Access Facilitation • Training on Records Keeping, Occupational Health and Safety • Technology Sourcing • Food Hygiene and Safety Handling Systems • Product Testing • Acquisition of Manufacturing and Trading Licenses Development of Incoming Materials and Finished Goods Documents for Quality Inspection • Benchmarking trips to India and China • Labour Relations • Acquisition of Licensing for Meat Premises • Acquisitions of Halal certification • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 5729999/74491088</p> <p>Email: thabo@earthvitamins.co.bw</p> <p>Facebook: Earth Vitamins</p>





DOBI FOODS

Director	Ratanang Motlhabane
Location	Pilane
Product/Service	<ul style="list-style-type: none"> • Indigenous Foods
Number of employees	6
LEA Interventions	<ul style="list-style-type: none"> • Business Incubation • Business Plan Development • Market Access Facilitation • Technology Sourcing • Market Access Facilitation • Trade Fair Participation • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 71526145/ 73901207</p> <p>Email: dobifoods@yahoo.com</p> <p>Facebook: khokhob. Holdings T/A Dobi Foods</p>



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ELITE CLUB PROCESSING

Director	Tshenolo Thakadu
Location	Pilane
Product/Service	<ul style="list-style-type: none"> • Cleaning Detergents (dish wash, multipurpose cleaner, floor polish, tile cleaner, degreaser, pine gel, sanitizer, hand soap,)
Number of employees	4
LEA Interventions	<ul style="list-style-type: none"> • Business Incubation • Business Plan Development • Market Access Facilitation • Market Linkages • Training on Records Keeping, Occupational Health and Safety • Product Testing • Market Linkages • Labour Relations • Business Advisory • Coaching and Mentoring Services
Contacts	Tel: 572 9510 Email: eliteclub.bw@gmail.com Facebook: Elite Club Processing



REDNEST INCUBATORS

Director	Dikgang Mpharitlhe
Location	Francistown and Masunga
Product/Service	<ul style="list-style-type: none"> • Egg Incubators, Hatchers, Brooders, Layers Cages
Number of employees	15
LEA Interventions	<ul style="list-style-type: none"> • Business Incubation • Business Plan Development • Training on Entrepreneurship Development, Records Keeping • Technology Audit and Acquisition • Market Access Facilitation • New Product Development • Market Linkages • Branding, Packaging and Labelling • Facilitation of EDD Certification • Business Advisory • Coaching and Mentoring Services
Contacts	<p>Tel: 73321865/7421 1979</p> <p>Email: dikgang211@gmail.com</p> <p>Facebook: Rednest Incubators</p>



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The background is a dark blue grid with various financial data visualizations. A candlestick chart is visible in the upper right, and a bar chart is at the bottom. The text 'LEA FINANCIALS' is centered in a white box.

LEA FINANCIALS



LOCAL ENTERPRISE AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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BOARD MEMBERS' REPORT for the year ended 31 March 2021

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 2021.

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 90 to 122. The Authority generated a net surplus of P19 999 567 for the year ended 31 March 2021 (2020: surplus of P84 866 043).

Board members

Name	Role	Appointment/Retirement Date
Ms Lorato Boakgomo-Ntakhwana	Chairperson	Appointed 1 st December 2020
Mr Mokgethi Frederick Magapa	Chairperson	Retired 30 th November 2020
Dr Haniso Motlhabane	Member	Retired 31 st July 2020
Dr Lucky Odirile	Member	Retired 31 st July 2020
Mr Chilipi Mogasha	Member	Appointed 1 st August 2020
Mr Dumilano Lopang	Member	Appointed 1 st June 2019
Mr Mokgethi Nyatseng	Member	Appointed 1 st June 2019
Mrs Keganele Malikongwa	Member	Retired 31 st July 2020
Ms Bonolo Champane	Member	Appointed 1 st August 2017
Ms Boitumelo Gofhamodimo	Member	Appointed 1 st August 2020
Ms Henrietta Sethebe Manake	Member	Retired 31 st July 2020
Ms Kathleen Molaodi	Member	Appointed 1 st August 2020
Ms Moipedi Nkoane	Member	Appointed 1 st August 2020
Ms Omphemetse Chimbombi	Member	Appointed 1 st August 2019
Ms Patience Motswagole	Member	Appointed 1 st November 2015

Registered office

Fairscape Precinct, Lot 70667 Building I
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 Capital Bank Limited
Bank Gaborone Botswana Limited

First National Bank of Botswana Limited
Barclays Bank of Botswana Limited
African Banking Corporation of Botswana Limited

BOARD MEMBER'S RESPONSIBILITY STATEMENT for the year ended 31 March 2021

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 2021, 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 23 September 2021 and are signed on their behalf by:



Two handwritten signatures are shown on a white background. The signature on the left is dated 23/9/21 and the signature on the right is dated 23/09/2021. Below each signature is a horizontal line and the text "Chief Executive Officer".



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

Independent Auditor's Report

To the members of Local Enterprise Authority

Opinion

We have audited the financial statements of Local Enterprise Authority (the Authority) set out on pages 90 - 122 which comprise the statement of financial position at 31 March 2021, 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 account 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 2021, 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) together with the ethical requirements that are relevant to our audit of the financial statements in Botswana, 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.

Existence and accuracy of operating expenses	
Refer to Note 1 and accounting policy-operating expenses on page 103	
Key audit matter	How the matter was addressed in our audit
<p>The Local Enterprise Authority’s mandate is to promote 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.</p> <p>Operating expenses comprise mainly of staff costs (including senior management remuneration), training, mentoring, project expenses, depreciation, operating lease rentals and maintenance of various incubators to empower Batswana with entrepreneurship skills. The total expenses incurred during the financial reporting year amounted to P131 901 484.</p> <p>Due to the magnitude of the expenses balance in the financial statements, the volume of expense transactions, the required approvals for operating expense transactions and the resultant significant work effort by the audit team, the recognition of expenses was considered a key audit matter.</p>	<p>Our procedures included:</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 amounts in the trial balance 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. • With the assistance of our information technology specialists, we used payroll and cash book records to perform data analytical procedures to identify exceptions which included duplicated payments, employees with same banking details as suppliers, multiple payments to a beneficiary on a single day and beneficiaries with different bank account numbers. 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 statement, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express 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
Practicing member: Gosego Motsamai (20030026)
Certified Auditor of Public Interest Entity
BAOA Certificate Number CAP 035 2019

29 September 2021
Gaborone

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2021

In Pula

	Notes	2021	2020
Government subvention	7	124,086,931	183,375,090
Government grants amortisation	9	23,428,743	4,021,774
Other operating income		<u>3,376,977</u>	<u>2,667,221</u>
		150,892,651	190,064,085
Operating expenses		<u>(131,901,484)</u>	<u>(104,610,620)</u>
Operating surplus	1	18,991,167	85,453,465
Finance income	2	2,692,344	949,056
Finance expense	2	<u>(1,683,944)</u>	<u>(1,536,478)</u>
Net surplus for the year		19,999,567	84,866,043
Other comprehensive income		-	-
Total comprehensive income for the year		<u>19,999,567</u>	<u>84,866,043</u>

STATEMENT OF FINANCIAL POSITION as at 31 March 2021

In Pula

	Notes	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	4.1	78,333,324	79,134,022
Intangible assets	4.2	1,836,568	1,582,102
Right of use assets	5	21,794,259	25,013,642
		<u>101,964,151</u>	<u>105,729,766</u>
Current assets			
Trade and other receivables	6	4,033,391	2,815,192
Cash and cash equivalents	8	86,200,061	38,668,274
		<u>90,233,452</u>	<u>41,483,466</u>
Total assets		<u>192,197,603</u>	<u>147,213,232</u>
FUNDS AND LIABILITIES			
Funds			
Accumulated surplus		<u>27,682,252</u>	<u>7,682,685</u>
Non-current liabilities			
Deferred capital grants	9	60,368,419	64,254,362
Long-term portion of lease liability	10	21,400,773	23,890,867
		<u>81,769,192</u>	<u>88,145,229</u>
Current liabilities			
Short-term portion of deferred capital grants	9	3,890,421	3,666,582
Short-term portion of lease liability	10	2,980,972	2,529,121
Trade and other payables	11	13,731,851	11,959,317
Deferred revenue grants	9	62,142,915	33,230,298
		<u>82,746,159</u>	<u>51,385,318</u>
Total liabilities		<u>164,515,351</u>	<u>139,530,547</u>
Total equity and liabilities		<u>192,197,603</u>	<u>147,213,232</u>

STATEMENT OF CHANGES IN FUNDS

for the year ended 31 March 2021

In Pula

	Accumulated surplus/(deficit)
Balance at 1 April 2019	(77,183,358)
Net surplus for the year	<u>84,866,043</u>
Balance at 31 March 2020	7,682,685
Net surplus for the year	<u>19,999,567</u>
Balance at 31 March 2021	<u>27,682,252</u>

STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

In Pula

	Notes	2021	2020
OPERATING ACTIVITIES			
Operating surplus	1	18,991,167	85,453,465
Adjustment for:			
Depreciation of property, plant and equipment	4.1	6,601,497	6,144,141
Impairment of property, plant and equipment	4.1	860,001	-
Amortization of intangible assets	4.2	493,028	905,257
Impairment of intangible assets	4.2	-	163,299
Depreciation of right of use assets	5	3,798,951	3,237,925
Amortization of grants	9	(23,428,743)	(4,021,774)
Derecognition of capital grants on impairment of related assets	9	(1,320,744)	-
Loss on disposal of property, plant and equipment		55,200	34,676
		6,050,357	91,916,989
Operating surplus before changes in working capital			
Movement in trade and other receivables		(1,218,199)	1,310,918
Movement in trade and other payables		1,772,534	(86,438,971)
Effect of IFRS 16 transition		-	85,546
		6,604,692	6,874,482
INVESTING ACTIVITIES			
Finance income received		2,692,344	949,056
Proceeds from disposal of property, plant and equipment		11,484	46,069
Acquisition of property, plant and equipment	4.1	(6,727,484)	(8,237,788)
Acquisition of intangible assets	4.2	(747,494)	(303,788)
		(4,771,150)	(7,546,451)
FINANCING ACTIVITIES			
Government grants received	9	50,000,000	20,000,000
Payment of lease liability	10	(4,301,755)	(3,453,603)
		45,698,245	16,546,397
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year	8	38,668,274	22,793,846
		86,200,061	38,668,274

SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2021

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 23 September 2021.

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 2021

Leases

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.

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 2021

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 2021

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 2021

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 2021

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 2021

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

Deposit 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

The 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.

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 2021

Leases (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 2021

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 2021

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 2021

New standards and interpretations

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

The following standards and interpretations became effective during the year ended 31 March 2021 and were adopted by the Authority:

Standards/Interpretations	Effective date	Impact on these financial statements
Conceptual Framework for Financial Reporting	01 January 2020	No material impact on these financial statements
Amendments to the definition of material in IAS 1 and IAS 8	01 January 2020	No material impact on these financial statements
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	01 January 2020	No material impact on these financial statements
Practice Statement 2 – Making Material Judgements	01 January 2020	No material impact on these financial statements
IFRS 3 amendment – Definitions of a business combination	01 January 2020	No impact on these financial statements
Presentation of Financial Statements: Disclosure Initiative	01 January 2020	No material impact on these financial statements
Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	No material impact on these financial statements

(b) 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 2021 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2021

(b) Standards and Interpretations not yet effective (continued)

IFRS 16 amendment – Covid 19 related rent concessions

In May 2020, the IASB issued Covid 19 - Related Rent Concessions (Amendment to IFRS 16). The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID 19 - related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

Since lessors continue to grant COVID 19 - related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to extend the time period over which the practical expedient is available for use.

The Changes in Covid 19 - Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to:

- permit a lessee to apply the practical expedient regarding COVID 19 - related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
- require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment is not expected to have a material impact on the Authority's financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

In August 2020, the IASB issued the Phase 2 amendments and published Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

In Phase 2, the IASB amended requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures.

The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The amendments are not expected to have a material impact on the Authority's financial statements.

SIGNIFICANT ACCOUNTING POLICIES (continued) for the year ended 31 March 2021

(b) Standards and Interpretations not yet effective (continued)

Reference to the Conceptual Framework (Amendments to IFRS 3)

IFRS 3, Business Combinations specifies how an entity should account for the assets and liabilities it acquires when it obtains control of a business. The standard requires an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability.

Originally, IFRS 3 required an entity to refer to the version of the Conceptual Framework that existed when it was developed. The purpose of this amendment was to update IFRS 3 to require an entity to refer instead to a later version issued in March 2018.

The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. The amendments are not expected to have any impact on the Authority's financial statements.

Amendments regarding onerous contracts – IAS 37

IAS 37, Provisions, Contingent Liabilities and Contingent Assets did not specify which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. Research conducted by the IFRS Interpretations Committee indicated that differing views on which costs to include could lead to material differences in the financial statements of entities that enter into some types of contracts.

In May 2020, the IASB issued amendments to IAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. The amendments are not expected to have a material impact on the Authority's financial statements.

Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. The amendments must be applied retrospectively and earlier application is permitted. The amendments are not expected to have a material impact on the Authority's financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

In January 2020, the IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-Current. The amendments affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments are not expected to have a material impact on the Authority's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

In Pula

1. Operating surplus

The operating surplus of P19 999 567 (2020: surplus of P84 866 043) is stated after taking into account the following:

	2021	2020
Loss on disposal of property, plant and equipment	55,200	34,676
Rental income	(853,799)	(721,421)
Sundry income	(423,115)	(1,405,279)
Training and resource centre income	(647,220)	(307,851)
Bad debts charge	194,072	141,099
Auditors' remuneration - current year	361,644	426,459
Board sitting allowance	331,212	258,894
Amortization of intangible assets (note 4)	493,028	905,257
Depreciation of property, plant and equipment (note 4)	6,601,497	6,144,141
Depreciation of right of use assets (note 5)	3,798,951	3,237,925
Impairment of intangible assets (note 4)	-	163,299
Impairment of property, plant and equipment (note 4)	860,001	-
Insurance expenses	1,002,605	940,805
Legal fees	523,055	1,037,834
Operating lease rentals for low value and short term leases	2,916,934	4,046,676
Project expenses - Industry Support Facility	18,513,547	-
Project expenses - Leather Park	1,557,490	355,192
Project expenses - Rapid Incubator	-	35,496
Remuneration to senior management	13,658,038	10,031,771
Repair and maintenance costs	2,998,157	2,239,988
Security expenses	4,254,343	3,362,643
Staff costs - retrenchment	-	601,776
Staff costs - salaries and wages	48,336,984	44,247,225

2. Finance income and expense

Finance income

Foreign exchange (loss)/gain	(23,539)	8,117
Interest received on bank deposits	2,587,102	919,428
Interest income accrued	128,781	21,511
	2,692,344	949,056

Finance expense

Interest on lease liabilities (note 10)	(1,683,944)	(1,536,478)
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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 2021

In Pula

4.1 Property, plant and equipment

	Capital work in progress	Land and buildings	Leasehold improvements	Plant and equipment
Cost				
At 1 April 2019	1,978,976	87,360,855	15,745,012	6,637,227
Additions	1,192,977	-	4,403,686	313,091
Transfers	(1,119,812)	-	-	-
Disposals	-	-	(2,957,640)	-
At 1 April 2020	2,052,141	87,360,855	17,191,058	6,950,318
Additions	3,421,473	214,083	143,664	133,121
Transfers	(2,826,026)	46,928	-	2,779,098
Disposals	-	-	-	-
Impairment	(315,925)	-	-	(2,026,140)
As at 31 March 2021	2,331,663	87,621,866	17,334,722	7,836,397
Accumulated depreciation				
At 1 April 2019	-	18,748,388	15,172,586	4,451,811
Charge for the year	-	2,496,378	791,723	821,598
Disposals	-	-	(2,889,793)	-
At 1 April 2020	-	21,244,766	13,074,516	5,273,409
Charge for the year	-	2,499,531	999,061	1,285,088
Disposals	-	-	-	-
Impairment	-	-	-	(1,482,064)
As at 31 March 2021	-	23,744,297	14,073,577	5,076,433
Carrying amount 2021	2,331,663	63,877,569	3,261,145	2,759,964
Carrying amount 2020	2,052,141	66,116,089	4,116,542	1,676,909

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Library books	Total
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
152,783	464,867	1,572,862	600,681	23,950	6,727,484
-	-	-	-	-	-
-	(42,114)	-	(64,456)	-	(106,570)
-	-	-	-	-	(2,342,065)
8,349,680	7,230,081	21,455,617	25,963,096	378,357	178,501,479
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
361,568	164,272	638,887	650,495	2,595	6,601,497
-	(34,225)	-	(5,661)	-	(39,886)
-	-	-	-	-	(1,482,064)
6,267,721	6,562,867	19,826,481	24,260,529	356,250	100,168,155
2,081,959	667,214	1,629,136	1,702,567	22,107	78,333,324
2,290,744	374,508	695,161	1,811,176	752	79,134,022

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

In Pula

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 work in progress relates to SAGE Customer Relationship Management (CRM) system which was in the user acceptance testing stage at year end. The CRM system is expected go live in August 2021 with the expected date of sign off and closure being October 2021. The following table shows the intangible assets movement from the prior year:

	Capital work in progress	Computer Software	Total
Cost			
At 1 April 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 1 April 2020	48,428	2,438,931	2,487,359
Additions	432,953	314,541	747,494
Transfers	-	-	-
As at 31 March 2021	481,381	2,753,472	3,234,853
Accumulated amortization			
At 1 April 2019	-	-	-
Charge for the year	-	905,257	905,257
At 1 April 2020	-	905,257	905,257
Charge for the year	-	493,028	493,028
As at 31 March 2021	-	1,398,285	1,398,285
Carrying amount 2021	481,381	1,355,187	1,836,568
Carrying amount 2020	48,428	1,533,674	1,582,102

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

In Pula

5. Right of use assets

The Authority entered into leases for office space it operates from at various locations. The duration of the leases range between 2 and 5 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. The leases are renewable on expiry. The right of use asset recognised in respect of these leases has been summarised below. Refer to note 10 for the related lease liability.

	2021	2020
Right-of-use assets	21,794,259	25,013,642
The right-of-use assets can be summarised as below:		
Balance at the beginning of the year	25,013,642	13,711,745
Additions during the year	579,568	14,539,822
Depreciation charge for the year	(3,798,951)	(3,237,925)
Balance at the end of the year	<u>21,794,259</u>	<u>25,013,642</u>

6. Trade and other receivables

Trade receivables	529,668	333,480
Less: Impairment allowances	(489,392)	(295,320)
	40,276	38,160
Deposits and prepayments	3,511,879	2,459,373
Sundry receivables	19,214	86,146
Salary advances	339,241	210,002
Accrued interest on deposits	122,781	21,511
	<u>4,033,391</u>	<u>2,815,192</u>

7. Related parties

Related party

Government of Botswana
Board members
Executive Management
Botswana Development Corporation (BDC)

Relationship

Parent
Key management
Key management
Common shareholder

Income/(expense) transactions with related parties

Government subvention	124,086,931	183,375,090
Industry Support Facility	50,000,000	-
Amortization of capital grants	3,056,360	3,666,582
Amortization of revenue grants	20,372,383	355,192
Transactions with Government of Botswana	<u>197,515,674</u>	<u>187,396,864</u>
Rental payments to BDC	(1,797,496)	(1,290,069)
Operating costs	(398,733)	(165,798)
Transactions with BDC	<u>(2,196,229)</u>	<u>(1,455,867)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

In Pula

7. Related parties (continued)

	2021	2020
Key management personnel remuneration		
Board allowances	(331,212)	(258,894)
Salaries and allowances	(11,217,171)	(6,814,863)
Chief Executive Officer	(1,723,350)	(1,048,528)
Post-employment benefits	(717,517)	(2,168,380)
	<u>(13,989,250)</u>	<u>(10,290,665)</u>

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	58,637,586	36,620,002
Current account balances	27,554,088	2,037,608
Cash on hand	8,387	10,664
	<u>86,200,061</u>	<u>38,668,274</u>

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	86,191,674	38,657,610
Cash on hand	8,387	10,664
	<u>86,200,061</u>	<u>38,668,274</u>

9. Government grants

Deferred capital grants

Balance at 1 April	67,920,944	71,595,118
Additions for the year	1,549,061	-
Amortisation to surplus or deficit	(3,056,360)	(3,666,582)
Capitalisation to land and buildings capital grants	(834,061)	-
Disposal for the year	-	(7,592)
Impairment for the year	(1,320,744)	-
Balance at 31 March	<u>64,258,840</u>	<u>67,920,944</u>

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

Short term portion	3,890,421	3,666,582
Long term portion	60,368,419	64,254,362
	<u>64,258,840</u>	<u>67,920,944</u>

Deferred revenue grants

Balance at 1 April	33,230,298	13,585,490
Grants received	50,000,000	20,000,000
Amortised to cover related expenses incurred	(20,372,383)	(355,192)
Capitalisation to motor vehicle capital grants	(715,000)	-
Balance at 31 March	<u>62,142,915</u>	<u>33,230,298</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

In Pula

9. Government grants (continued)

	2021	2020
Total deferred grants balance at 1 April	101,151,242	85,180,608
Grants received	50,000,000	20,000,000
Additions for the year	1,549,061	-
Amortisation to surplus or deficit	(23,428,743)	(4,021,774)
Capitalisation to capital grants	(1,549,061)	-
Disposal for the year	-	(7,592)
Impairment for the year	(1,320,744)	-
Total deferred grants balance at 31 March	126,401,755	101,151,242

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.

There was a purchase of property, plant and equipment in the current year of P1 549 061 that were funded from the revenue grants. Capital grants of the related assets of the same amount were recognised to be amortised to the surplus or deficit over the useful lives of the assets.

Plant and equipment of P1 320 744 was impaired in the current year hence the capital grants of the related assets was impaired.

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. At year end, the unutilised balance of the Leather Industry Park funds was P30 656 462.

In the current year, the Government advanced P50 000 000 to the Authority in respect of the Industry Support Facility project. The funds are meant to alleviate the impact of COVID-19 on the informal sector enterprises. At year end, the unutilised balance of the Industry Support Facility funds was P31 486 453.

The Authority received a government subvention to cover its normal operations for the year amounting to P124 086 931 (2020: P183 375 090).

10. Lease liability

	2021	2020
Lease liability	24,381,475	26,419,988
At the reporting date the lease liability is analysed as follows:		
Short term portion	2,980,972	2,529,121
Long term portion	21,400,773	23,890,867
	24,381,745	26,419,988

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

In Pula

10. Lease liability (continued)

	2021	2020
Maturity analysis – contractual undiscounted cash flows		
Within one year	4,452,285	4,135,358
After one year, before five years	18,128,530	17,312,619
After five years	7,550,899	45,444,203
Total undiscounted lease liabilities at 31 March	30,131,714	66,892,180
Total finance expense allocated to future periods	(5,749,969)	(40,472,192)
Lease liability at 31 March	24,381,745	26,419,988
The lease liability can be reconciled as below:		
Lease liability at 1 April	26,419,988	13,797,291
Increase in lease liability during the year	579,568	14,539,822
	26,999,556	28,337,113
Interest expense on lease liability	1,683,944	1,536,478
Lease payments made for the year	(4,301,755)	(3,453,603)
Lease liability at 31 March	24,381,745	26,419,988
Refer to note 5 for details of related right of use assets.		
11. Trade and other payables		
Trade payables	2,404,321	1,493,209
Accruals for expenses	3,929,193	4,412,665
Payroll related accruals	7,398,337	6,053,443
	13,731,851	11,959,317

12. Commitments and contingencies

Low value and short term 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 (2020: P1 443 391), 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.

Commitments

Furthermore, the Authority has entered into contractual agreements with third parties for the supply of goods and services. The contractual agreements amounted to P2 795 105 (2020: 1 882 628) at year end.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

In Pula

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:

- Subsequent to year end, an amount of P613 865 was received from disposal of motor vehicles. All the motor vehicles disposed had reached their attrition point, being the earlier of four (4) years or 160 000km as per the Authority's motor vehicle disposal policy.
- Valuation reports for the Authority's properties, which includes land and buildings and plant and equipment were received in May 2021. The valuations were performed by Real Reach (Pty) Ltd who are members of the Real Estate Advisory Council. According to the reports, the open market value for land and buildings is P155 610 000 and the insurance replacement cost is P129 670 000. The depreciated replacement cost of plant and equipment is P6 790 100 with a residual value of P983 900.

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 2021 of P19 999 567 (2020: P84 866 043) and as of that date its total assets exceeded its total liabilities by P27 682 252 (2020: P7 682 685), while the current assets exceeded current liabilities by P7 487 293 (2020: current liabilities exceeded current assets by P9 901 852). Total current liabilities at the reporting date include unutilised government grants advanced to the Authority to fund the Leather Park project and Industry Support Facility of P30 656 462 and P31 486 453 respectively (2020: Leather Park Project of P33 230 298 and Industry Support Facility of PNIL). Total current liabilities also include deferred capital grants of P3 890 421 (2020: P3 666 582).

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 2021/2022 budget and is continuing to provide financial support to the Authority through Government subvention and grants. The approved budget for the 2021/2022 financial year amounted to P133 123 150. The Government has pledged to support the Authority in the next financial year through a government subvention of P133 123 150 disbursed in four equal instalments. Subsequent to year-end the Authority has received P66 561 576 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. In view of the envisaged merger, all new employment contracts, contract extensions or revisions will be up to a maximum period of two (2) years. 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 2021.

The Government as the parent has issued a letter of support indicating it would provide financial support to the Authority to enable it 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2021

In Pula

14. Going concern (continued)

Further, from a strategic 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

In Pula

15. Financial instruments (continued)

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	2021	2020
Trade and other receivables	182,271	145,817
Cash and cash equivalents	86,191,674	38,657,610
	<u>86,373,945</u>	<u>38,803,427</u>
Financial liabilities		
Trade and other payables	<u>6,333,514</u>	<u>5,905,874</u>

Credit Risk

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

In Pula

15. Financial instruments (continued)

Credit Risk (continued)

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:

	2021	2020
Trade Receivables	40,276	38,160
Other receivables	141,995	107,657
Cash and cash equivalents	86,191,674	38,657,610
	86,373,945	38,803,427

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

	Gross Impairment		Gross	Impairment
	2021	2021	2020	2020
Current	-	-	1,200	(368)
Past due 1-30 days	41,485	(22,742)	40,346	(12,712)
Past due 31-60 days	59,784	(39,799)	18,659	(9,303)
Past due 61-90 days	40,143	(38,595)	13,526	(13,188)
Past due more than 90 days	388,256	(388,256)	259,749	(259,749)
	529,668	(489,392)	333,480	(295,320)

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

	Impairment 2021	Impairment 2020
Balance at beginning of year	295,320	154,221
Increase in allowance included in surplus or deficit	194,072	141,099
Balance at end of year	489,392	295,320

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

In Pula

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:

	Carrying amount	Contractual cash-flows due in less than 6 months
2021		
Trade and other payables	<u>6,333,514</u>	<u>6,333,514</u>
2020		
Trade and other payables	<u>5,905,874</u>	<u>5,905,874</u>

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 2021

In Pula

15. Financial instruments (continued)

Interest rate risk (continued)

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

Annual Interest rates

	2021	2020	2021	2020
Investments	1.25%-4.80%	2.35%-4.65%	58 637 586	14 694 390
Call accounts	0.02%	0.02%	21,471,348	21,925,611
			80,108,934	36,620,001

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:

	2021	2020
Investments	293,188	73,472
Call accounts	107,357	109,628
	400,545	183,100

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. Assets and liabilities not disclosed in the following tables are all categorised as non-financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

In Pula

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
2021				
Assets				
Trade and other receivables	4,033,391	182,271	3,851,120	4,033,391
Cash and cash equivalents	86,200,061	86,191,674	8,387	86,200,061
	90,233,452	86,373,945	3,859,507	90,233,452
Liabilities				
Trade and other payables	13,731,851	6,333,514	7,398,337	13,731,851

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

In Pula

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

DETAILED INCOME STATEMENT for the year ended 31 March 2021

In Pula

	2021	2020
Income		
Government subvention	124,086,931	183,375,090
Amortization of capital grants	3,056,360	3,666,582
Amortization of revenue grants	20,372,383	355,192
	147,515,674	187,396,864
Other operating income		
Loss profit on disposal of plant and equipment	(55,200)	(34,676)
Derecognition of capital grants on impairment of related assets	1,320,744	-
Rental income	853,799	721,421
Sundry income	434,505	1,412,698
Telephone recoveries	17,309	216,127
Tender fees	158,600	43,800
Training and resource centre income	647,220	307,851
	3,376,977	2,667,221
Operating expenses		
Advertising costs	(1,221,354)	(1,139,621)
Amortization of intangible assets	(493,028)	(905,257)
Annual license fee	(2,178,240)	(2,496,936)
Auditors' remuneration - current year	(361,644)	(426,459)
Bank charges	(189,273)	(104,509)
Board sitting allowance	(331,212)	(258,894)
Board meeting expenses	(958)	(8,577)
Business travel, accommodation and allowances	(667,376)	(2,660,731)
Computer expenses	(974,298)	(855,545)
Consultancy fees	(1,550,822)	(2,727,773)
Courier and postage	(294,562)	(251,357)
Depreciation of property, plant and equipment	(6,601,497)	(6,144,141)
Depreciation of right of use assets	(3,798,951)	(3,237,925)
Doubtful debts charge	(194,072)	(141,099)
Farm consumables	(2,275,374)	(1,379,570)
Impairment of intangible assets	-	(163,299)
Impairment of property, plant and equipment	(860,001)	-
Insurance	(1,002,605)	(940,805)
Legal fees	(523,055)	(1,037,834)
Motor vehicle expenses	(519,669)	(770,106)
Office expenses	(1,243,470)	(1,036,813)
Operating lease rentals	(2,916,394)	(4,046,676)
Project expenses Leather Park	(1,557,490)	(355,192)
Total carried forward	(29,755,345)	(31,089,119)

DETAILED INCOME STATEMENT (continued)

for the year ended 31 March 2021

In Pula

	2021	2020
Total brought forward	(29,755,345)	(31,089,119)
Project expenses Industry Support Facility	(18,513,547)	-
Project expenses Rapid Incubator	-	(35,496)
Promotion and publicity	(2,306,049)	(1,167,090)
Remuneration paid to senior management	(13,658,038)	(10,031,771)
Repairs and maintenance	(2,998,157)	(2,239,988)
Research costs	(72,957)	(29,338)
Security expenses	(4,254,343)	(3,362,643)
Seminars, retreat and conference costs	(496,797)	(430,813)
SMME conference and fair - current year	(76,012)	(587,098)
Staff costs- Salaries and wages	(48,336,984)	(44,247,225)
Staff costs- Retrenchment	-	(601,776)
Staff training and recruitment	(1,561,580)	(1,884,797)
Staff welfare	(2,350,944)	(2,629,886)
Stakeholder management	(31,439)	(49,113)
Stationery and printing	(1,181,581)	(1,248,258)
Subscriptions	(300,184)	(239,714)
Telephone, mobile and fax	(4,167,848)	(4,198,959)
Write off of receivables	(72,312)	-
Training and mentoring costs	(1,767,367)	(537,535)
	<u>(131,901,484)</u>	<u>(104,610,619)</u>
Operating surplus for the year	<u>18,991,167</u>	<u>85,453,465</u>

This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 86 to 89.

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