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ANNUAL REPORT
2021 / 2022

LEA
LOCAL ENTERPRISE AUTHORITY





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A woman with braided hair, wearing a white t-shirt and a tan apron, is smiling and holding a red tomato in a field. The background shows green plants and a white trellis structure.

LET LEA HELP YOU ACCESS THE MARKET:

LEA enables businesses to stand out in a crowded market. We also assist in facilitating product testing and certification as well as developing marketing and sales strategies that enhance the SMME competitive edge.



LOCAL ENTERPRISE AUTHORITY

*Empowering the entrepreneur
to start and grow their business*



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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
FCCA	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



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. Assisting SMMEs with developing 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 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 countrywide 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

Mission Statements



> **OUR VISION**

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



> **OUR MISSION**

To promote and facilitate entrepreneurship and smme Development through targeted interventions in pursuit of Economic growth and job creation.



> **OUR VALUE PROPOSITION**

Empowering the entrepreneur to start and grow their business.

LEA VALUES

Accelerating Enterprise Growth



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.

Board of Directors

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 -



Ms. Lorato Boakgomo - Ntakhwana

LEA Board Chairperson

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. 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 (PMISP) and a PRINCE2 Practitioner.

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.



Ms. Bonolo Champane
BOARD MEMBER



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.



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. 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)



Mrs. Patience Motswagole
BOARD MEMBER



Mr. Dumisani Lopang
BOARD MEMBER

Mr. Dumisani 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, Dumisani is overseeing the establishment of a media group projected to list on the Botswana Stock Exchange in a few years; one of the many projects that defines his entrepreneurial prowess.



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.

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. Omphemetse Chimbombi
BOARD MEMBER



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.

Board Chairperson's Statement



It is with utmost delight that I present to you, on behalf of the Local Enterprise Authority (LEA) Board of Directors the annual report for the year 2021- 22, in accordance with Section 26 of the Small Business Act No 16 of 2008.

The period under review marks the fourth 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 transformative strategy for the Authority is pegged against the Country's national agendas; wealth creation for Botswana, diversification of the economy, reduction of the import bill, and job creation.

For the year under review, our focus remains to provide effective and 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

The Board continues to provide guidance and support in the implementation of the transformative strategy, supporting projects, and programmes that resonate with the LEA mandate. The LEA Board of Directors' resolve to provide oversight duty, guided by the Board charter and the shareholder compact remained unaffected during the reporting period despite the gloomy economy outlook occasioned by the COVID 19 downside impact to the world economy.

Corporate Strategy and Performance

The year under review marks the second year of reporting the Authority's performance against the backdrop of downward economic effects of the COVID 19 pandemic. The beginning of the previous financial year was marked by the plague of the COVID 19 pandemic that contracted world economies, with the International Monetary Fund's (IMF) World Economic Outlook projected to contract by 4.4 percent. For the year 2021, IMF's World Economic Outlook projected a vigorous global economic recovery of 5.9

driven by growth in advanced economies. Advanced economies were expected to register a growth rate of 5.2 percent, while emerging markets and developing economies were expected to register faster growth rate of 6.4 percent.

The Gross Domestic Product for Sub-Saharan Africa is estimated to have contracted by 1.7 percent in 2020, was projected to rebound to a growth rate of 3.7 percent and in 2021. In his State of the Nation Address (SONA) in November 2020, His Excellency Dr Mokgweetsi E.K. Masisi stated that the domestic economy is expected to contract by 8.9 percent while he estimated that the domestic economy is expected to grow by 9.7 percent during the delivery of the 2021 SONA.

Highlights of the year under review include the end of the State of Public Emergency that resulted in business activity restored for the Tourism sector and other industries that were halted by COVID 19 restrictions. Constrained global trade led to growth and development of peculiar industries where the government of Botswana levied import restrictions on certain commodities such as uniform, baked goods and horticulture crops.

The recovery of the global, regional and domestic economy backed the outstanding performance of SMME as demonstrated by related indicators, (SMME Revenue, Sustained jobs, and Market Linkages). This performance is underpinned by the Authority's rigorous efforts in maximising business opportunities presented by the imposed import restrictions on select commodities.

As a result of the Authority's resolute business development and support services, LEA graduated 31 businesses compared to 24 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.

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.

As the domestic global trade continues to normalise, my fellow Board members and I remain committed in discharging our role, as we guide the Authority to transform the SMME sector to grow its contribution to Botswana's economy. 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.

I wish to thank the LEA Board for its commitment to SMME development. I extend deep gratitude to LEA leadership and their team for their dedication towards SMME development.



Ms. Lorato Boakgomo - Ntakhwana

LEA Board Chairperson

Executive Management



Dr. Raciou M. Moatshe
Former Chief Executive Officer



Mr. Godfrey Molefe
Chief Financial Officer
Chief Executive Officer (A)



Mr. Onkabetse Moatlhodi
Chief Digital Officer



Mr. Omphitlhetse Salesando
Chief Operations Officer



Mr. Mompoti Baiphethi
Head, Capability Development



Mr. Oreneile Padipadi
Head, Channel - South



Mr. Fana Mothusi Kelebogile
Head, Channel - North



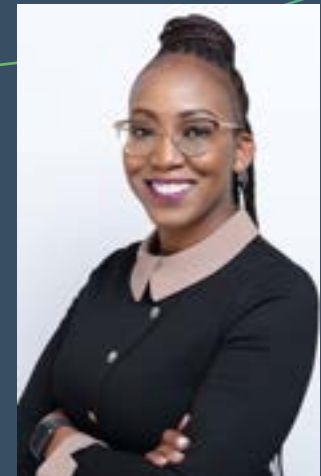
Ms. Tshepang Thapa
Head, Human Capital



Mr. Monyadiwa Masilo
Head, Sector Innovation



Ms. Dynah Solani
Head Information &
Knowledge Management



Ms. Boitsheko Ntshingane
Legal Advisor



Ms. Shatho Orapeleng
Head, Market Access



Mr. Paul Ockerse
Project Director, Leather
Industry Park



Ms. Tshepo Gasenna
Manager - Risk



Mrs. Boikhutso Kgomanyane
Head, Corporate Affairs

Acting Chief Executive Officer's Statement



It is with great honor that I present the Local Enterprise Authority's 2021-22 business performance, highlighting notable achievements and strategic deliverables as well as the Audited Financial Statements.

The previous financial year was marred by the declaration of COVID-19 pandemic. The Government of Botswana effected COVID-19 response measures, which included movement restrictions and subsequent lockdowns that had an adverse impact on business. With the recovery of the Global and regional economies coupled with the ease of COVID 19 restrictions, business activity was restored resulting in exponential growth in the Authority's performance indicators.

This report presents the organisational performance for the 2021/22 financial year, being the fourth year of implementation of the five (5) year (2018-2023) Strategic Plan whose focus is to transform the LEA to be "the go to guys in business". The Strategy is focused on the following themes: Business Model and Operating Model Transformation, SMME Development and Stakeholder Engagement and Partnerships.

The transformation journey continued during the year with implementation of the new organizational business model and focus areas meant to support the whole strategy still ongoing. A lot of progress was made in ensuring that support structures are put in place to drive the business strategy, which included implementation of the Change Management strategy that has seen a lot of transformation within the organization and significant increase in employee and organizational performance. Whilst the process is ongoing, key enablers for success have been put in place to ensure successful change. This performance review therefore highlights achievements realized during the 2021/22 financial year, and the initiatives in place.

Organizational Performance

SMME Performance

The recovery of the global and regional economy and the lifting of COVID 19 restrictions coupled with Government imposed import restrictions resulted in SMMEs recording a survival rate of 92% against a target of 90% representing 3% growth in performance when compared to the previous financial year. Furthermore, the organization graduated a total of 31 enterprises that are now ready to operate under minimal LEA direct mentorship compared to 24 the previous year.

SMME
Survival RATE



3%

Graduated
SMMEs



29%

	2019	2020	2021	2022
SMME survival rate (%)			89	92
Graduated SMMEs	25	25	24	31
Total Turnover (BWP Millions)		274.5	495.6	754.5
Import substitution (BWP Millions)		21.3	105.7	236
Trained SMMEs	2260	736	1294	1887
Jobs created		1882	1438	1368

Job creation

During the 2021-22 financial year, LEA created 1368 jobs compared to 1,438 created the previous year. LEA assisted enterprises managed to sustain 90% of 2417 jobs existing from the previous year.

Import substitution

Import substitution remains a critical component in stimulating local production of goods and services, to reduce importation of such. A total of P236 million worth of import substitution was realized during the review period, against the targeted P149.6 million. This was very critical especially in the wake of COVID 19 pandemic where it has proven difficult to import products and services from other countries. The product list of targeted import substitution included products such as vegetables, aluminium products, hair products, Honey production, Leather products, Water purification, Yoghurts and processed fruits.

The recorded performance represents an exponential growth by 123% from P105.7million attained the previous year.

Import Substitution



123%

SMME turnover

Total turnover generated by the supported SMMEs increased by 52% from P 495.6 million the previous year to P 754.5 million. The 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 medical suppliers. These markets proved to be able to sustain many enterprises for the period 2021 -2022.

SMME Turnover



52%

Incubation Programme

The incubation model has proved to be effective in accelerating enterprises, providing access to affordable operating facilities and shared services.

A total of 649 new Jobs were created during the reporting year across all incubators. Newly created jobs are from the newly incubated clients and recruited virtual clients. The Manufacturing and Services sectors generated more turnover, whilst agriculture was the lowest even though there were fewer services clients than agriculture.

Growers and Block Busters generated a greater portion of the total accumulated turnover, and these were mainly sustainable and competitive SMEs. Though Micro Starters and Developers were not generating a lot of revenue, they are important in creation of jobs. Technology identification, vetting and sourcing had been some of the interventions administered for some to expand their production output, product lines, and they are realising growth.

In addition to the above, 91% of the incubators are occupied. The bulk of the new jobs were from the Virtual clients who started operations during the year and some during lockdown whilst some are from the newly established incubators. Eleven (11) clients have graduated in the current year. During incubation, the clients had created 42 new jobs (175%). Revenue of graduating clients grew tenfold (1000%) during incubation. Graduates are to be transferred to the Channel Network for further support and expansion interventions.

Capacity Development

LEA offers 5 core business management and development courses which are BQA accredited. The courses were traditionally classroom based, but in past financial year, 90% of all training was done through online platforms, thereby improving the coverage across the country and instilling the use and value of online and digital platforms to SMMEs.

A total of 1887 entrepreneurs were trained against a target of 1800 surpassing last year's actual by 45%.

SMME Training

 45%

The Authority recorded a decline in the number of advanced interventions afforded SMMEs, dropping from 136 the previous year to 122. These interventions are ordinarily costly interventions for SMMEs; therefore, the Authority subsidizes these and shares the cost with the SMMEs.

LEA interventions and training generate income on a cost sharing basis with entrepreneurs and SMMEs, for the year under review training expenditure was at its lowest level due to the use of virtual platforms (expenditure was only 10% of the budgeted amount) and income generated from training was P365 000. Expenditure on interventions was lower than the budget (Actual spend was P1 192 500 vs a budgeted amount of P1 200 000) and the income generated

from clients' contribution amount to 47% of the total expenditure – this was primarily to a disaggregated subsidy to client contribution formulation as opposed to a flat rate for all clients.

Strategic partnerships

Strategic alliances and partnerships were further forged during the year, in addition to stakeholders engaged during the previous financial year. Additional work was carried out to progress the existing partnerships, and more institutions identified to complement our mandate for impact driven initiatives

Digital Transformation

The Authority continues to adopt innovation and leverage on digital technologies to offer services online. To meet the demand of the 4IR, the Digital Transformation function developed a Digital Transformation strategy was developed and the following were achieved; Development of Youth Development Fund (YDF) portal on behalf of the Ministry of Youth, Sports and Culture, Enhancements to Sage ERP- Business Process Management module, Implementation of electronic signatures and banners, Deployment of a payment gateway that allows the public to pay for LEA services online. In addition, the Authority in collaboration with Botswana Digital and Innovation Hub conducted a Hackathon with the aim to identify youth-based enterprises to provide the Authority with a business knowledge Bank and intranet using SharePoint.

The work from anywhere initiative resulted in the procurement of Laptops for staff and adoption of M365 One drive for end user data management.

Financial statements

The 2021/2022 financial year, like the prior years, was a challenging period with respect to financial resources, especially that allocated revenue grant was cut by 2% during the year to finance other priority areas of the Ministry. Consequently, some of the projects/activities, both core and support initiatives planned for the year were put in abeyance to give way to organizational obligations/stay-in-business activities.

However, through prudent management of the tight budget and continued freeze of recruitment to prepare for the rationalization of state-owned entities the financial aspect of the business concluded with a surplus. This surplus was re-directed to financing informal sector infrastructure projects and funding of two incubators, being Ghanzi Small Stock and Kanye Manufacturing Incubators.

Revenue Generated

 35%

- % Indirect Cost to Revenue – Indirect costs were capped at 60% of revenue to ensure the bulk of revenue was spent on direct costs. We achieved 33%, beating the benchmark.
- Revenue Generated (millions) – Target for revenue of P3,9 million was met and exceeded at P5,3 million.
- % Capex allocation to Core Business– Percentage capex allocation target of 75% was exceed where the actual achievement was 78%.
- Managing costs within 95% of budget – Costs were successfully managed within target at 87.5%.

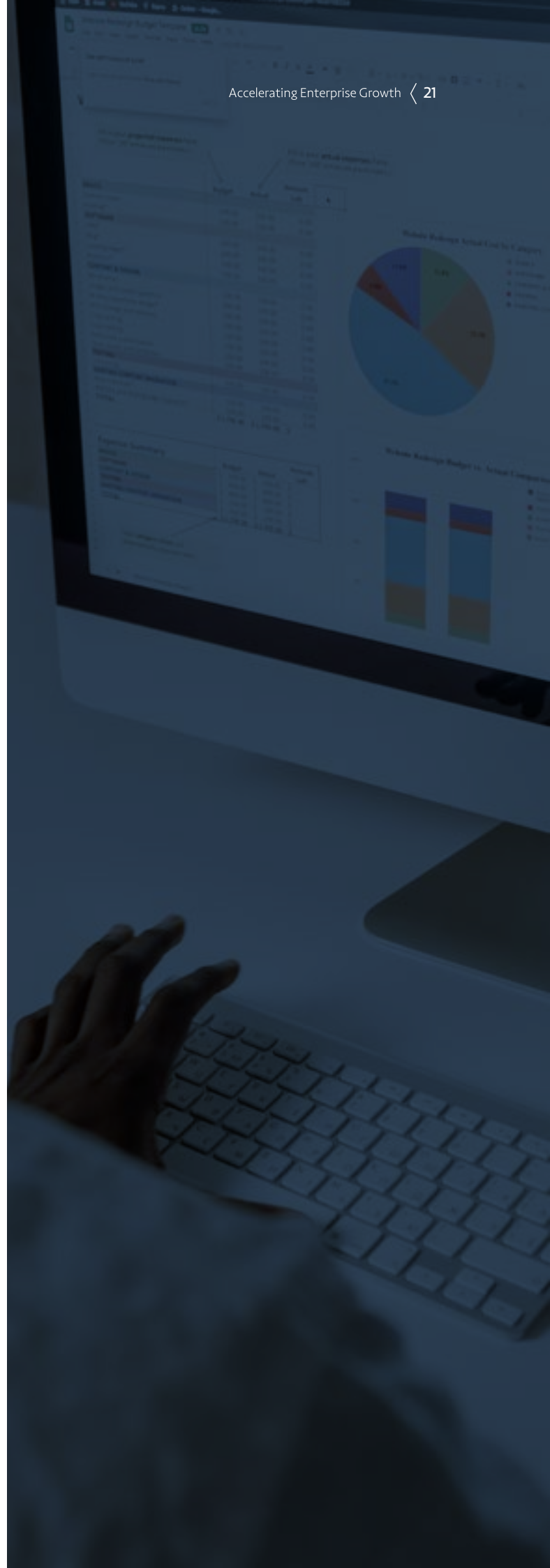
Acknowledgements

All the organizational achievements during the 2021-22 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 Trade & Industry and Ministry of Entrepreneurship, 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 the parent ministry.

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.



Mr. Godfrey B. Molefe
Chief Executive Officer (A)





Board &
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.

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.

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.

LEA Board Composition

for the 2020 - 2021 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	●			●	●

Member Name	Date Appointed
Mrs L. Boakgomo Ntakhwana	1st December 2020
Mrs B. Nkoane	1st August 2020
Mrs K. Molaodi	1st August 2020
Mrs B. Gofhamodimo	1st August 2020
Mr C. Mogasha	1st August 2020

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 risk management (erm) framework

In discharging its risk management responsibilities, the board is supported by the Finance and Audit Committee (FAC), whose main responsibilities are ensuring effective and efficient monitoring, reviewing and implementation and roll out of the Enterprise Risk Management to ensure decision making that impacts the performance of the organisation's strategic and operational objectives are opportunity focused and risk based.

During 2021/2022 financial year, an annual risk assessment was conducted in respect of the strategic and operational risks and was aligned to the strategic and operational planning process of the Authority. The risks identified were monitored on an ongoing basis in relation to risk mitigation plans. Reporting on risk management was a standing item on the agenda of the Executive

Committee (EXCO) and the Finance and Audit Committee.

Safety, Health and Environment structures (SHE)

To ensure high level of safety in the work environment, the Authority regularly trains and conducts SHE inspections throughout its divisions. The objectives of the SHE trainings and inspections are to continuously improve the safety, health and environmental concerns within the workplace, ensuring that staff know how to work safely without risk to themselves and others.

Risk Management through Insurance

The Authority has insurance programmes that seek to transfer the risks associated with its liability exposures on its property, human resources, crops at the Glen Valley horticulture incubator. Insurable risks are continuously evaluated, and action is taken to reduce these insurable risks, as part of the Authority's loss prevention strategy. Amongst others, the insurance covers procured include Group Life Insurance Benefit Scheme,

Group Funeral Insurance Scheme, Business Interruption, Public Liability, Workers Compensation and Motor Fleet.

Business Continuity Plan (BCP)

LEA implements business continuity plans to ensure minimal disruption to critical business processes and operations in the event of a disaster. Divisional BCPs are continually reviewed to ensure their relevance and adequacy.

Fraud Policy and whistle-blowing hotline

LEA has zero tolerance to any wrongful act or impropriety (including without limitation to fraud, theft, dishonest acts, corruption, intimidation, discrimination, harassment) by its employees, service providers or associates. The Authority 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 whistle-blowers.

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)



DO YOU NEED TRAINING?

LEA offers training sessions that capacitate entrepreneurs to manage their businesses, including Entrepreneurship Development, Business Planning, Record Keeping, Sales and Marketing and Financial Management.





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 (Pie chart).

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

During the 2021–22 financial year, LEA recruited 316 SMMEs into its portfolio against a target of 180 translating into 175% performance and 84% increase against last year's actual of 171 SMMEs across the branch network. This was achieved through robust SME client recruitment, delivery of high impact interventions and client engagement drive across our branch network and other related channels.

Employment creation

During the 2021–22 financial year, LEA created 1368 jobs against a target of 1400 jobs (97% achievement) across the branch network, through recruitment and client mobilization strategies. In addition, LEA managed to maintain and sustain a total of 2417 jobs from the previous year, through the consistent monitoring and delivery of high impact interventions to LEA registered SMEs.

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

- The recently enacted Economic Inclusion Act 2021 and other local preferential schemes and statutes have bolstered LEA's lobbying efforts with Procurement Entities especially the public sector for the support of homegrown brands. The Authority scored 86.4% above target on the import substitution measure.

- Responding to export market opportunities as well as import restrictions and bans on select products and industries, the Authority focused on building capacity, accelerating advanced market access interventions such as product testing, certification, branding, packaging, and labelling of priority products.
- Further, the Horticulture value chain was targeted and prioritised with additional funding being sought from development partners to capacitate primary producers, facilitate market clusters, develop, and establish produce collection and Agro-processing centres.
- With the decline of Covid-19 infections and fatalities, leading to lifting of many Covid-19 protocols such as travel bans, various sectors and supply chains have shown signs of recovery, with the tourism sector significantly picking up in Q4 reaching an excess of P20 million in Turnover, a 94% leap from Q3.
- Turnover contribution from Growers and Blockbusters (SMEs) receiving advanced market access interventions made up 70% in Q1, 83% in Q2 and 88% in Q4.
- The manufacturing sector followed by the services sector continue to dominate contribution to turnover at an average of 65% and 23% respectively.

Import Substitution

Import substitution remains a critical component in stimulating local production of goods and services, to reduce importation of such. A total of P236 million worth of import substitution was realized during the review period, against the targeted P149.6 million. This was very critical especially in the wake of COVID 19 pandemic where it has proven difficult to import products and services from other countries. The product list of targeted import substitution included products such as vegetables, aluminium products, hair products, Honey production, Leather products, Water purification, Yoghurts and processed fruits.



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

A total of 1887 entrepreneurs were trained against a target of 1800. This represents a 39% increase from the total number of enterprises trained the previous financial year. Of the 1887 trained entrepreneurs, 805 are LEA clients while 1082 are potential clients.

LEA offers 5 core business management and development courses which are BQA accredited. The courses were traditionally classroom based, but in past financial year, 90% of all training was done through online platforms, thereby improving the coverage across the country and instilling the use and value of online and digital platforms to SMMEs. In addition, LEA trained 100 SSMEs on Financial Literacy in partnership with the BIHL Trust. The training was specifically designed for youth and women owned SMMEs. In addition, LEA trained 20 women, youth and PWD-owned SMMEs in partnership with Debswana Jwaneng Mine.

Coaching and mentorship

LEA provides basic and advanced business support interventions as part of its Coaching and Mentoring. These Interventions are meant to improve the performance of the businesses as well as market penetration. During the reporting period, 122 advanced interventions were completed against a target of 200. The advanced interventions included branding, labelling, and packaging, management systems (policies and processes improvement, ERP, Quality Management Systems), website development, ICT and digital solutions (online booking and payment systems). The SMMEs covered with advanced interventions across all sectors with tourism mostly requesting the website and ICT interventions.

Products Successfully Tested

A total 69 products were tested and/or certified (against a target 60) to meet quality standards. This is aimed at improving access to market by meeting both market and industry standards. The products tested are mainly from the manufacturing sector which includes food (e.g., bread and confectionary, spices, milling), household detergents (liquid soap), as well as industrial products (e.g. bricks and pavers)

SMMEs supported through partnerships

During the financial over 2000 SMEs were supported through various partnerships against a target of 1000. The Authority was able to collaborate and conclude on the following partnerships:

LEA and BA ISAGO

Under this partnership, LEA and BA ISAGO University collaborated to promote and inculcate entrepreneurship development in Botswana. The two entities committed to cooperate in conducting action-based research, hosting joint entrepreneurship conferences seminars, and platforms; as well as resource mobilization and exchange to contribute towards SMME development and growth. To better service SMMEs, the Authority through Human Capital Division has trained 35 LEA employees to attain professional skills from the University's industry short learning programmes. Human Capital Division facilitated 17 employees to train on Productivity Improvement Techniques to improve operational efficiency thereby improving the organisation's performance. While 18 were trained on Service Quality, a programme designed to help with challenges related to the provision of service delivery to strive for service excellence and good service culture.

LEA and PPC Cement

LEA and PPC partnered for the delivery of a Local Economic Development (LED) Programme for enterprises in brick moulding business activity within the construction industry. The LED programme is designed to grow and support local businesses to ensure that there is significant citizen participation in the construction and retail sector as well as contributing towards sustainable employment creation. The participant businesses are enrolled in business and capacity development programs offered by LEA, which will entail generic and tailor-made business advisory interventions and training that will enhance their skills and enable them to produce high quality products. The partnership is also intended to facilitate funding, market access and testing of

products and certification for quality assurance and compliance with the relevant industry standards.

LEA and BIHL Group

The Authority and BIHL Group partnered and launched a Financial Literacy programme targeting micro-entrepreneurs who are Youth, Women and Members of the Disabled Community. The programme is targeted for LEA to offer blended training model (virtual and physical) comprising four (4) areas of competency development interventions which covers 11 topics needed by SMMEs particularly to benefit micro enterprises country wide. A total of 100 SMMEs were trained and 81 graduated on financial literacy that commenced in February 2022.

LEA & Debswana (Jwaneng Mine)

Capacity building for women, youth and PWD – owned SMMEs in the SOI of the Jwaneng Mine. The project is facilitated primarily through Molepolole and Kanye branches, with 16 and 4 participant SMMEs, respectively. The project is done in collaboration with MYSC and Gender Affairs. The participant SMMEs were trained on Sales and Marketing, and they underwent an enterprise diagnostic assessment to determine key interventions for improving their performance.



LET LEA SUPPORT YOUR TECHNOLOGY AND INNOVATION

We assist entrepreneurs to improve the quality of their products and services and help identify technology innovation gaps. LEA also enables technology transfer and acquisition for SMMEs across sectors and supports them to leverage an ICT to transform their businesses



LOCAL ENTERPRISE AUTHORITY

*Empowering the entrepreneur
to start and grow their business*



www.lea.co.bw

TOLL FREE: 08 00 155 155



Incubation Programme

Glen Valley Horticulture Incubator

The Glen Valley Horticulture Incubator was established with the objective of empowering horticulture entrepreneurs with skills to manage sustainable horticulture projects as commercial entities with intent that they contribute to the national economy through increased output of high quality year-round supply of horticulture commodities. In addition to achieving food security, the program is intended to facilitate employment creation.

The intervention entails the execution of a standard training program (curriculum) on horticulture for all trainees over a period of nine (9) months, with emphasis on hands-on practical exposure on crop husbandry. The program has a 'Commercialization' component where deserving graduates are allocated serviced production units and given an opportunity to operate their enterprises. The facility, therefore, has a number of production systems used both for production as well as for training purpose. These technologies include a 1.1 ha greenhouse structure, 1.5 ha net houses, 12 tunnels as well as an open field land measuring at least 1 ha. A variety of vegetables were grown during the year, ranging from tomatoes, sweet pepper, cherry tomatoes, cucumber, lettuce, cabbage and green mealies.

A total of twenty eight (28) individuals underwent training during the year with 14 trainees accommodated in greenhouses and tunnels who graduated in December 2021 while another 14 successfully completed their program in June 2021. In the process of training, the incubator produced tomatoes and pepper which were sold to hawkers and retail shops. The main buyers were Square Mart, five (5) Pick n' Pay outlets and Mr Veg generating P 619,000.00 in revenue. Furthermore,



the incubator offered a platform for benchmarking by various institutions schools and individual interested in horticulture. Three individuals underwent the 'Attachment' program, with one facilitated by CEDA as part of their funding assessment.

The Incubator has six (6) enterprises operating as commercial entities with 3 accommodated in greenhouses and the other 3 operating in the open field.

Leather Industries Incubator

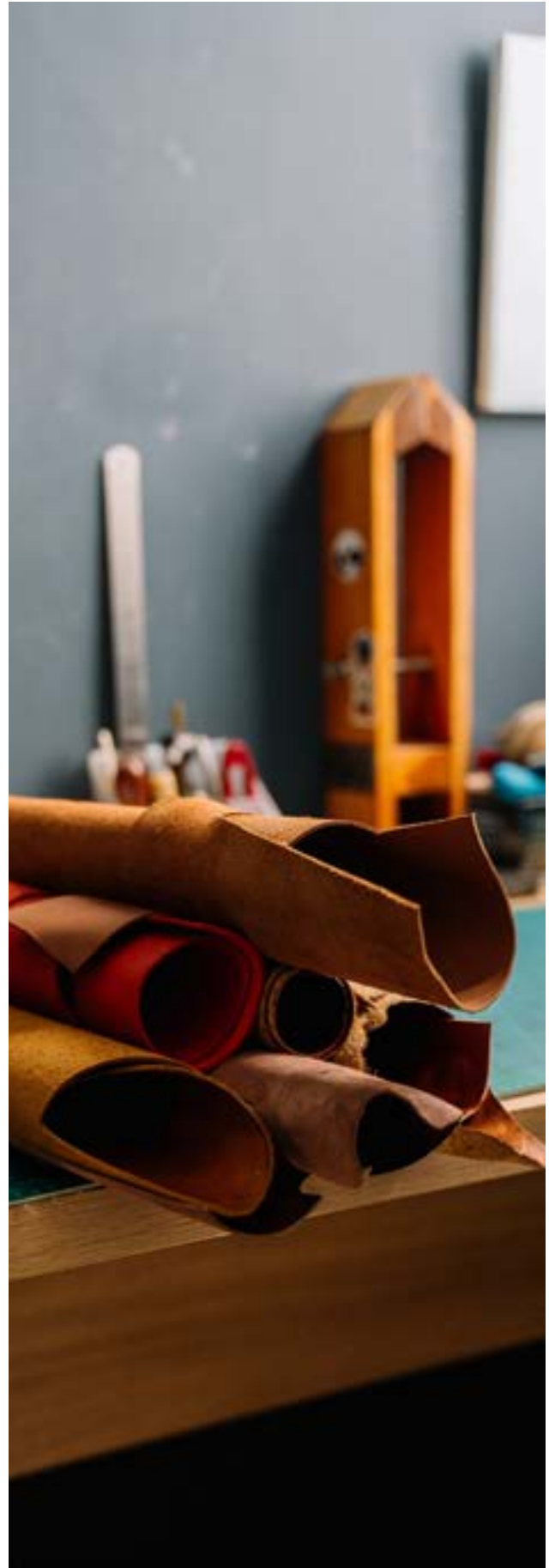
Gaborone Leather Industries Incubator is a specialized incubator responsible for nurturing businesses mainly in leather products manufacturing. The incubator has introduced incubation of other manufacturing businesses and provided them with practical, theoretical technical business skills through interventions. During the period under review, a total of eight (8) clients were incubated. The eight clients manufactured a variety of goods which included leather goods Textile & Clothing, Fibre bathtubs, Disposable Masks and Skincare Products.



The **8 businesses** under incubation created employment for **32 people**.



The clients continued to supply a variety of markets with disposable masks for local pharmacies, BITC staff with Textile clothing, Builders world with Bathtubs. The business also supplied the Okavango-sub district council with more than 1500 pairs of leather school shoes for the social and community development beneficiaries. They have also manufactured and supplied clothing merchandise to local private schools. Plans to introduce leather Protective wear products which includes gloves & aprons at the leather incubator in the next financial year are underway. Furthermore, trainings on leather products manufacturing will be re-introduced. The 8 businesses under incubation created employment for 32 people.



Francistown Industrial Business Incubator



The Incubator is a light manufacturing industry and services businesses through provision of business and technical interventions. For the year 2021/22, the incubator operated at 81.8 % occupancy. A total of 9 clients are currently housed in the incubator and providing an array of products and services in the Incubator.

It is worth noting that the FIBI still assists clients who have graduated from the Incubator, via Virtual Incubation and technical support. During the financial year, two clients graduated from the Incubator and are still receiving LEA technical support.

The FIBI, through its tutelage and support to enterprises depicted a good performance on attainment of turnover, resultant from sales from clients being incubated. A total of P12,222,521.86 was recorded as Turnover from FIBI clients during the 2021/22 Financial Year.

Recorded Turnover

P12,222,521.86

The FIBI through administering of its growth interventions to clients, has managed to create 36 new job opportunities during the financial year under review. The efforts are therefore quite applaudable as they provide a clear indication of the LEA's quest to develop and transform the economy of Batswana.

Pilane Multi Purpose Incubator



Pilane Incubator operates as a Multipurpose incubation program focusing on food processing and light industrial manufacturing. The incubator provides technical and business interventions for the growth of clients in the food and light industrial manufacturing sector.

During the financial year 2021/2022 the incubator operated at 50% occupancy level creating 48 jobs and graduating 7 clients in Quarter 2 (Just Ginger, Onias Industries, Elite Club Processing, Beautiful Us Africa, Naga Earth, Kumi Group & Cutikle). In Quarter 3, five clients were recruited into the incubator. The incubator had 16 enterprises, seven (7) in Food processing and nine (9) for light industrial manufacturing. The food court comprised of spice mixes, honey, meat, relish and beverage enterprises while the light industry businesses included hair products manufacturing, cleaning chemicals manufacturing, carpentry & engravings, steelworks manufacturing and cleaning equipment.

The 15 incubated businesses had a job compliment of 48 and two of them realised growth to Grower level (Elite Club Group and Onias Industries) upon graduation in Quarter 1.

Kutla Incubator Centre

Since its inception in 2017, Kutla Incubator has been providing practical, technical, and business management training in different sub sectors of the manufacturing sector, solely to capacitate trainees in production skills of running successful enterprises post incubation. A significant number of individuals have been trained in bread and confectionary, toilet paper production, wire nails production, etc and while some could not get financial assistance to start their enterprises, there are successful and thriving businesses which were born from these trainings.



Due to incubator transformation, Kutla has since moved away from providing onsite technology and practical training and is now incubating different manufacturing enterprises ranging from bread and confectionary, water bottling, metal fabrication, food processing, cosmetics as well as medical consumables. The incubator is at 100% occupancy with varying leases to the enterprises. Going forward, the transformation will see the incubator now offering services in digitisation of enterprises, helping businesses unlock technology solutions to everyday challenges.

Of interest, the incubator has amongst other incubatees, two enterprises of note; Maungo Craft which produces jams, sauces, and syrups from indigenous fruits as well as Sylike Medicals which produces ISO certified viral transport media as well as blood collection tubes for the health sector. The BCTs are still undergoing testing and once certified by BOMRA, will also form part of the company's local produce.

Besides these resident enterprises at the incubator, Kutla continues to offer offsite technology

and practical trainings to manufacturing enterprises in the toilet paper production, bread and confectionary making as well as BOBS certified detergent making. Most of the beneficiaries have been groups from the Poverty Eradication Program and Social & Community Development beneficiaries in local authorities. This service is also available to private enterprises, preferably in groups.

LEA PROJECTS

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

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 instil 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.



Currently, a total area of 36.8 hectares is under production with an estimated yield of 766.6 tons.



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

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.



As at 31st March 2021 LEA has processed and successfully disbursed

P19,772,000.00



Leather Industry Park

The implementation of the LIP was delayed by the need to reconfigure the project to address emerging risks. The reduced slaughter by BMC necessitated the consolidation of five 10 tonne tannery daily capacities into one unit. This would allow the project to start at a capacity of 20 – 25 tonnes of cattle hides per day and gradually increase to reach the installed capacity.



BMC slaughter accounted for 50 percent of the project's raw material at the project's inception.

As a result, there was a need for validation of raw materials and a revision of the business model to further assure viability and minimum levels of raw material required to kick start the project.

The re-scoping of the project involved relocating the LIP from the old site next to the municipal sewage wastewater ponds in Lobatse, to the Lobatse Special Economic Zone (SEZ), an area designated for Meat & Leather industries in Lobatse township. This was done to avoid duplication of efforts and to maximise efficiency of government resources under the one government approach.

The decision to relocate to the SEZ was taken with reference to the new scope of developing a modern and sustainable LIP with Green Credentials to meet or exceed current relevant International Audit Protocols. This would ensure that Clean Technologies are applied to minimize water consumption, recycling and, striving to reduce the solid waste footprint by converting by-products into saleable new products. The move was also done, cognisant of the government reset agenda on value chain development. The relocation to the new site will benefit the entire SEZ through shared infrastructure.

Cabinet Approval for the re-scoping was given in mid-August 2021 and implementation of the project in accordance with the new scope begun.

In spite of the above delays, progress has been made in validation of raw material, the outcome of which has shown that despite the declining cattle populations, the project is still commercially viable. Slaughter figures from the formal sector averaged 227,642 animals over the past three years and a total of 200,000 live animals have been exported in 2020–2021. The validation of raw material is not only limited to Botswana but to the entire region.

To meet international green credentials as required by international markets, a revision was done of the LIP's solid and liquid waste solutions, mainly due to the stringent BOS 93–2012. A benchmarking exercise was conducted through sponsorship by EU-SADC EPA, resulting in the conclusion that the BOBS standard was stricter than most of the global values and that a creative solution needed to be found to facilitate the LIP. Work is ongoing in collaboration with stakeholders to develop a holistic solution to the challenges identified.

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 factor 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

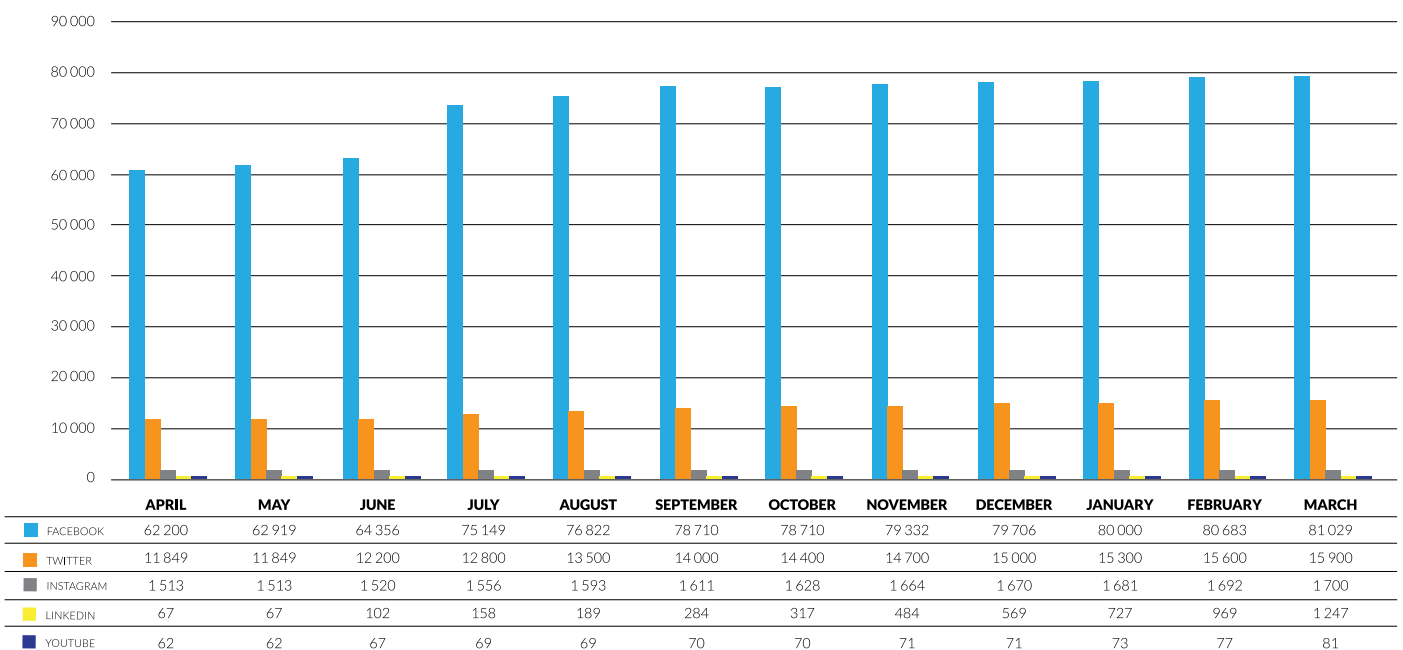
LEA adopted a new business model incorporating all SMMEs across sectors of the economy; fostering innovation and technology as well as intensifying collaborations with significant and relevant stakeholders. This model emanated from the 2018-2023 Corporate Strategy which necessitated for the Authority to position itself in alignment with the new strategic direction, hence embarking on a brand repositioning project with the objective to position LEA as the preferred business development institution in the country.

In March 2022, a brand perception audit was concluded and 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. A Marketing, Public Relations and Communications strategy was developed to address the findings and implemented during the 2021-22 financial year. LEA intensified its appearance on traditional media, profiling SMME on print, popular radio and television shows. To promote physical interaction with the brand, LEA hosted outreaches at remote areas where LEA does not have branches, in addition to participation at trade fairs and exhibitions.

The Authority widened its digital footprint, introducing google ads and email banners as a way of increasing traffic to the LEA website. LEA social media following continues to grow as evinced on the chart below.

Social Media Growth





The 2021/2022 Technology and Innovation Annual report provides a high-level overview of the major accomplishments of the division as well as the goals for 2022/2023 fiscal year. The divisional objectives for the 2021/2022 fiscal year were geared at providing digital solutions and support to LEA clients, optimization of LEA business processes and cost saving measures.

DEVELOPMENT OF YOUTH DEVELOPMENT FUND PORTAL

The development of Youth Development Fund (YDF) portal on behalf of the Ministry of Youth, Sports and Culture began in the first quarter of 2021/2022 fiscal year on the 11th of June 2021 and was completed on the 28th of June 2021. The development of the YDF portal emanated from the need to quickly collaborate with applicants on the development of business plans as well as the requirement to provide reporting capabilities per sector and region to determine the number of submissions received, number of approved submissions as well as the number of rejections. The project was awarded at BWP 30,000.00. The platform was handed over to the Ministry of Youth, Sports and Culture to administrate the portal.

HOSTING OF HACKATHON FOR DEVELOPMENT OF LEA DIGITAL SOLUTIONS

The Local Enterprise Authority digital transformation strategy aims to create the capabilities for fully leveraging the possibilities and opportunities of new technologies and to realize their impact faster, better and in the most innovative way this is in alignment with the Botswana Government Reset agenda (which talks to digitization, a knowledge based economy and affirmative action for the youth, women and persons with disability). To this end, The Local Enterprise Authority in partnership with Botswana Digital and Innovation Hub hosted a hackathon under the theme: "Development of LEA Digital Solutions". The hackathon ran from the 21st of February 2022 to the 25th of February 2022 with two categories namely:

Design and development of a LEA website and mobile app
Development of LEA internal communication platforms using SharePoint (LEA Intranet)

The solutions developed during the hackathon were aimed at delivering a full range of SMME business advisory and capacity building services through secure, personalized, relevant and enhanced experiences to our clients and employees in real-time, all the time.

Winners in each of the categories have been engaged to further develop their prototypes for implementation at LEA this exercise will be completed by the end of the second quarter of the 2022/2023 fiscal year. Furthermore, all participants of the hackathon have been invited to register as LEA clients into the Techpreneur programme which aims to provide market opportunities for entrepreneurs operating in the digital space.

SUPPLY, DELIVERY, CONFIGURATION AND COMMISSIONING OF OMNICHANNEL CONTACT CENTER

A tender for the supply, delivery, configuration and commissioning of an Omni-channel contact center solution was awarded in the fourth quarter of the 2021/2022 fiscal year. The Omni-channel contact center solution aims at addressing areas of concern, such as delayed responses to client queries, raised by LEA clients through the LEA Customer Satisfaction Survey conducted in the second quarter of 2021/2022.

The omni-channel contact center will channel queries from various platforms (social media, website, email, telephone) to agents who will address the query or escalate to a higher authority. The project commenced in the last quarter of the 2021/2022 fiscal year on the 24th of March 2022 and is expected to have been completed in the second quarter of 2022/2023 fiscal year: by 30th July 2022.

IMPLEMENTATION OF ADDITIONAL PROCUREMENT AND FINANCE PROCESSES ON SAGE 300 ERP (BPM MODULE)

The Local Enterprise Authority adopted and went live on the Sage 300 platform in the 2018/2019 fiscal year. The Sage 300 ERP BPM module allows LEA to workflow processes. Additional processes implemented on Sage 300 during the 2021/2022 fiscal year include:

Raising of orders over the P100,000.00 threshold; essentially orders that are raised as a consequence of the tender process

Implementation of Service Rendered Notes

Online authorization of invoice payments

These improvements to procurement and finance

processes are aimed at introducing efficiencies to LEA processes thus ultimately improving LEA service delivery.

PAYMENT GATEWAY

In 2021/2022 the TI division embarked on a project to provision a Payment Gateway to facilitate payment of LEA services online. Phase one of the project, the procurement and set up of the platform was completed by the end of the 2021/2022 fiscal year. Phase two of the project which addresses areas of integration with Sage 300 ERP will be completed by the end of the second quarter in the 2022/2023 fiscal year. The integration of the two systems will provide further efficiencies in the payment process.

ADOPTION OF ONEDRIVE AND SHAREPOINT

The Division in quarter two of 2021/2022 embarked on a campaign to drive collaboration within the Authority through the user of SharePoint online and OneDrive. Further, this initiative was intended at managing the risks associated with data loss as a result of data being saved on obsolete file servers. Whilst also ensuring that end-users can work from anywhere. Consequently, all shared files and folders across all LEA divisions were migrated to SharePoint Online whilst end-user files and folders in local directories were migrated to OneDrive.

SUPPLY AND DELIVERY OF LAPTOP COMPUTERS

In February 2021, a tender for the supply of 46 laptops to the Local Enterprise Authority was awarded in support of the work from anywhere initiative. However, due to supply chain constraints the equipment was only delivered at the end of July 2021 and distributed to LEA business consultants.

IT POLICIES

The division in the 2021/2022 fiscal year reviewed several IT policies and submitted these for approval. Of these policies the LEA board has approved the password policy and the associated password guidelines.

2022/2023 PLANNED PROJECTS

- Configuration and Commissioning of LEA Omni-channel Contact Center
- Development of LEA Website and Mobile App
- Development of LEA Intranet using SharePoint
- Implementation of Sage 300 Contracts Module
- Implementation of LEA Payment Gateway - Phase 2
- Replacement of IT Equipment

Information Knowledge Management

MARKET OPPORTUNITIES FOR HORTICULTURE RESTRICTED CROPS IN BOTSWANA

The Local Enterprise Authority, in response to the Government of Botswana announcement of import restrictions for sixteen horticulture effective January 2022, carried out a rapid study to quantify the value and volumes of the local production required to replace the restricted imports crops. The study was carried out in the last quarter of the 2021/2022 financial year. The findings of the study reflected that the value of imports for the restricted crops stood at BWP 197 million in 2020 and P194 Million for the first 9 months of 2021 and the corresponding weights were 34 653 and 33 232 tonnes, respectively.

This is the volume of tonnage that will need to be produced locally to meet the demand created by the import restriction shortfall. The study also identified the 5 designated horticulture agro ecological zones for of Notwane, Madikwe, Boteti/ Ngamiland, Selibe Phikwe/ Bobirwa and Shashe. These are the areas in Botswana where horticulture is expected to do well due the soils and water occurring in these regions.

In the 2022/23 financial year the Local Enterprise Authority is going to partner with local SMMEs horticulture clients to expand their production capacities and facilitate new entrants into the sectors. As part of the facilitation, the Authority has called for expressions of interests for leasing of fallow farms in

the agro ecological zones to avail land for use by new entrants and other farmers seeking to expand but have challenges with access to developed land. Other planned activities in the next financial year are the full horticulture value chain mapping to unearth new business opportunities along the chain stimulated by the increased local production as well as validation of identified opportunities.

Informal and Formal Sector SMME Profiling

The Authority engaged the Botswana Institute of Development Policy Analysis to carry out a profiling of the informal and formal SMME sector. The study commenced in January 2022 and the results are expected in August 2022. The role of the SMME sector in economic development, job creation and poverty reduction in a conducive environment has been acknowledged over the world as a positive catalyst that can change the economic trajectory of a country. This study is very crucial to identifying the current needs of the SMME sector as well as identifying sectors where they have a competitive advantage. The study will also provide baseline information on the SMME sector contribution to Gross Domestic Product and employment. The study is expected to review and recommend a conducive policy environment required to catapult the sector to its full potential. The newly established Ministry of Entrepreneurship will also benefit significantly from this study at both SMME programming and policy level.



STRUGGLING TO RUN A PROFITABLE BUSINESS? LET LEA ADVISE YOU:

LEA advises clients on best practices in business, resource management, product costing and legal matters. We understand that running a business comes with challenges. We coach and advise you on how to mitigate those challenges and grow your business.

Human Capital

The Human Capital Division is a strategic business partner that creates value for the Authority through the functions of Talent Acquisition and development, Employee Engagement, Change Management, Employee Relations, Performance Management as well as Organisation Development. Through its adopted value proposition to be employee centric, placing PeopleFirst; the Human Capital Division has enabled execution of the LEA Mandate through human capital interventions to become a high-performance organisation enabled by a Values Driven Culture.



During the period under Review the Human Capital Division was focused on deploying impactful interventions through its five (5) strategic focus areas which are; Leadership Effectiveness, Values Driven Corporate Culture, Employee Engagement, Talent Management as well as Human Capital Governance and Organisational Efficiency.

VALUES DRIVEN CULTURE

The intent to transform LEA Corporate Culture to become a values driven culture remains a key enabler of high performance and the efforts of change management framework used to develop these culture foundations has borne significant results between the financial years 2020/21 and 2021/22. The metrics applied to gauge performance towards the desired end have been employee engagement, job satisfaction and leadership 360 assessment. During the reporting period, assessment against the baseline indicated a positive change as illustrated below:

The above results were achieved through deliberate efforts to implement the LEA Corporate Culture following the restructuring and review of the Business Operating Model in 2019. This was done particularly by focusing on internal communication, capacitation for change, leadership sponsorship of change and other key enablers. LEA Employees have begun to internalise and embrace this new corporate culture and its tenets and as such the Organisational performance is reflective of this. This performance has been enabled through the authority's corporate training framework that is designed to structure its learning and development interventions towards the LEA workforce for targeted, specific and general skills capacitation. In recognising the importance of learning and development as an enabler of high performance, the Authority has also partnered with some learning institutions through Memoranda of Understanding for employees' skills capacitation.

During the reporting period, capacitation of employees at all levels was also realised through Coaching and Motivation by the Chief Executive Officer, who took a deliberate decision to coach Management and General staff and avail himself in leading the Transformation agenda and culture change.

LEADERSHIP EFFECTIVENESS AND DEVELOPMENT

Developing robust leadership capabilities within the LEA remains primary focus of the Human Capital Division. Various complementary interventions provided for in the LEADING LEA Framework have been implemented seeing a total of Twenty-Eight (28) supervisor, middle manager, and executive leaders at LEA graduate from two (2) leading executive education institutions in the Sub-Saharan region. Amongst these, some LEA Leaders earned themselves the following accolades:

- Top position in Business-Driven Action Learning Project for the New Managers Development Program with University of Stellenbosch Business School.
- Second Best Group Project for the Management Advancement Program with Wits Business School.
- Second and third best overall student Management Advancement Program with Wits Business School.
- Top student for the Senior Management Development Program with the University of Stellenbosch Business School.

In the same period leaders at LEA were exposed to other learning opportunities to build transformational leadership capabilities in areas of self-efficacy, emotional intelligence amongst others.

EMPLOYEE ENGAGEMENT

As demonstrated in the increased LEA Employee engagement index, the factors contributing to this are among others; the partnerships the human capital division has formed with employees, individually or collectively to gather insights and solution accordingly. Individually, employees' thematic feedback on areas of improvement for increasing engagement such as communication and return on effort have been implemented. This led to implementation of new platforms for communication such as the "Change Led by Me" SharePoint site, the "PeopleFirst" newsletter and emailer for specific communication on matters relating to Human Capital. Other platforms that have been very instrumental in promoting dialogue on the state of employee wellbeing has been through the employee wellness plan that implements various interventions to this end. Through this the Human Capital Division gained insights on employee's views about topical issues and how to address them such as mental health at the workplace and home. An Employee Assistance Programme has also been provided for through a Contracted Service Provider for Psychosocial Support and Counselling. There has been marked changes in employees using their voice

to create and shape an enabling environment for work. This has also been recognised through internal collaborations with collective bodies such as Change agents and Wellness Champions. Their sense of ownership and responsibility towards each of their mandates has led to this immense impact towards engagement of employees. Employee engagement activities were also done through various Team Building Sessions throughout the organisation.

EMPLOYEE RELATIONS

The Authority continued to engage transparently with Botswana Public Employees Union (BOPEU) on matters of staff welfare in line with the Collective Labour Agreement.

HUMAN CAPITAL GOVERNANCE AND OPERATIONAL EFFICIENCY

Leveraging on the LEA's Digital transformation strategy, the Human Capital division has identified opportunities for process improvements through automation to increase the efficiency levels in supporting business. The automation of the Performance Management System and the competency Framework is still ongoing though at advanced stages in preparations for using the digital module in the next financial year.

In the same approach, the division continues to address its audit findings and mitigate against risks flagged within its processes for governance purposes. In collaboration with Legal, Risk and other divisions, the division has set up robust processes and implementation thereof towards this end.

COVID-19 RESPONSE

These have been challenging times for all since the advent of COVID-19. However, the Authority has relatively managed to keep things going especially with ensuring minimal exposure of employees. The COVID response team that was set up at the advent of the pandemic continued to monitor the situation, advise on interventions to be put in place and identify risks to ensure rapid response should the need arise as well as ensuring that protocols are adhered to as per guidance from the Ministry of Health and Wellness. Interventions that were put in place included; distribution of COVID care packs in the form of recommended immune boosters, provision of fruit baskets to employees who tested positive as well as care and support through the EAP service provider.

STAFF ESTABLISHMENT

The staff complement as of 31st March 2022 stood at 154 employees which includes temporary employees and interns.





GOVERNMENT INTERNSHIP PROGRAMME

LEA continued to support the Government Internship Programme and has placed graduates in various divisions including support to gain industry experience.

Batshweneng Guest House



Accommodation & Restaurant

-  Ikageng Ward, Tsabong
-  6540922 / 75358091
-  batshwenenglodge@gmail.com
-  Batshweneng Guest House

2014

Year that client joined LEA

STATUS

Status of Business upon enrolment

Small

Status of Business at graduation

Grower



INTERVENTIONS



- Business Plan Development
- Training on Records Keeping, Entrepreneurship Development, Business Planning, Sales and Marketing
- Financial Viability Assessment
- Trade Fair Awareness Workshop
- Market Access Facilitation
- Technology Gap Analysis and Pre-grading exercise
- Benchmarking from other Tourism Facilities
- Business Advisory Services
- Business Coaching and Mentoring



EMPLOYEES

Number of employees upon enrolment

4

Number of employees upon graduation

11



TURNOVER

2022

256%

2014



CAPACITY

when joining LEA

10 Rooms

upon graduation

10 Rooms



Fast Zone Bakery



Bakery – Loaves, Confectionary, scones



Borakanelo Ward, Tsabong
654 0490 / 7183 57855

2007

Year that client joined LEA

STATUS

Status of Business at graduation

Grower

Status of Business upon enrolment

Prospective Micro



INTERVENTIONS



Customer Care Training

- Training on Records Keeping, Business Planning, Entrepreneurship Development, Sales & Marketing, First Aid and Fire Marshal
- Technology Gap Analysis and Process improvement
- Good Manufacturing Practice
- EDD Registration
- Business Advisory Services
- Business Coaching and Mentoring



EMPLOYEES

Number of employees upon enrolment

1

Number of employees upon graduation

5



TURNOVER

2022

682%

2007



CAPACITY

when joining LEA

300 loaves daily

upon graduation





400 loaves daily



Image Life



IT services: Software development & branding

-  Plot 64 unit 16 GICP
-  395 1299 / 7237 0491
-  info@sepapanegroup.co.bw
-  image Life (Pty) Ltd

2015

Year that client joined LEA

STATUS



Status of Business upon enrolment

Status of Business at graduation

Grower

Grower

INTERVENTIONS



- Business Plan Development
- Entrepreneurship Development Training
- Facilitation of Market Access and Linkages
- Went for benchmarking and networking in Germany
- Business Advisory Services
- Business Coaching and Mentoring

Was linked with LEA clients for intervention provision



EMPLOYEES

Number of employees upon enrolment

3

Number of employees upon graduation

7



TURNOVER

2022

479%

2015



CAPACITY

When joining LEA

They started with a few individual private companies



Upon graduation

They are now delivering services to a wider market such as corporates, government schools, governments departments, parastatals, private companies, banking sector.

Letsela Fashion World



Textile and Clothing: School Uniforms, Fashion Wear, African Prints and Embroidery Services

 Kanye, Main Mall
 7188 9459

2008

Year that client joined LEA

STATUS

Status of Business upon enrolment

Developer

Status of Business at graduation

Grower



INTERVENTIONS

- Training on Records Keeping
- Market Access Facilitation (Debswana PPE and Masks)
- Financial Viability Assessment
- Business Advisory Services
- Business Coaching and Mentoring



EMPLOYEES

Number of employees upon enrolment

11

Number of employees upon graduation

11



TURNOVER

2022

367%

2008



CAPACITY

When joining LEA

Tunics 1,050
 Shirts and blouses 1,200
 Trousers 330
 Tracksuits 352
 Embroidery 4,400
 Jerseys 374
 Dresses Mateisi 20
 Weddings Gowns 2



Upon graduation

Tunics 2,500
 Shirts and blouses 2,000
 Trousers 700
 Tracksuits 700
 Embroidery 6,000
 Jerseys 1,500
 Dresses Mateisi 100
 Wedding Gowns 6

Mothotota t/a Key Wealth Group



Financial Services: Training, Financial Advisory, Wellness and Risk Insurance brokerage

-  Plot 54367, 2nd Floor, Mogobe Plaza, CBD
-  3114 034 / 7245 4670
-  france@assurewealth.co.bw
-  Key Wealth Group

2014

Year that client joined LEA

STATUS

Status of Business upon enrolment

Grower

Status of Business at graduation

Grower



INTERVENTIONS



- Business Plan Development
- Entrepreneurship Development Training
- Facilitation of ERP System – customized data administration system for the business
- Market Access and Linkages Facilitation
- Trade Fair Participation for Exposure: SAITEX, Global Expo, SMME Pitso and Seminar
- Globase Pogramme
- Business Advisory Services
- Business Coaching and Mentoring



EMPLOYEES

Number of employees upon enrolment

8

Number of employees upon graduation

24



TURNOVER

2022

83%

2014



CAPACITY

When joining LEA
N/A

Upon graduation

- Number of clients- started with individuals now have corporate clients e.g., NMG, Wilderness safaris, Mascom, Water Utilities, Hollard etc.
- Geographical spread- started with one Branch in Gaborone, now have two Branches in Gaborone, Francistown, Jwaneng and newly opened Branch in Maun
- Services - added Wellness to the services provided

Ratang General Dealer & Fresh Produce



Product / Service:
General Dealer



Motlapele Ward, Ncojane

7420 0663

2013

Year that client joined LEA

STATUS

Status of Business at graduation

Grower

Status of Business upon enrolment

Micro starter



INTERVENTIONS



- Training on Records Keeping, Entrepreneurship Development, Sales & Marketing, Customer Care, Pricing and Taxation
- Facilitation of Market Access and Linkages
- Branding, Packaging and Labelling
- Workshops on Negotiation skills, Buyer-Seller Seminar, Financiers as well as Companies/Businesses Compulsory Statutory Obligations
- Business Advisory Services
- Business Coaching and Mentoring



EMPLOYEES

Number of employees upon enrolment

4

Number of employees upon graduation

9



TURNOVER

2022

943%

2013



CAPACITY

When joining LEA

The shop provided basic service in the Fast-Moving Consumer Goods (FMCG) bracket.

Upon Graduation

Customers increased from not only individuals to having linked with Charleshill Sub District by LEA to provide service through contract for the destitute and people with disability beneficiaries through Smart Switch Food Coupons.

Kgope Farm Produce



Meat processing of biltong, beef russians, sausages, beef burger patties, boerewors



Plot 201 Pilane Industrial, Pilane
7230 0018
thabo@earthvitamins.co.bw
Earth Vitamins

2015

Year that client joined LEA

STATUS

Status of Business at graduation

Grower

Status of Business upon enrolment

Micro starter



INTERVENTIONS



- Business Incubation
- Training on Records Keeping, Entrepreneurship, Food Safety and Occupational Hygiene
- Market Access Facilitation through participating at trade fairs such as Global Expos, Buyer Seminars
- Facilitation of Product Testing and Certification
- Benchmarking trips to India and China
- Business Advisory Services
- Business Coaching and Mentoring



EMPLOYEES

Number of employees upon enrolment

7

Number of employees upon graduation

20



TURNOVER

2022

62%

2015



CAPACITY

When joining LEA

Biltong 2660 kg
Sausages 200 kg
Meat Balls 200 kg
Beef Patties 400 kg
Spices 138,4 kg

Upon graduation

Biltong: 6012kg
Sausages (boerewors, Russians): 13452kg
Different cuts: 9184.68kg
Beef Patties: 444kg
Mince: 7364.4kg

III MPT (Pty) Ltd T/A Tapinda Lodge



Hotel- Self Catering, Accommodation, and Conferencing



Serorome Ward Palapye
492 1226 / 7715 3163
tapindalodge@gmail.com
Tapinda Hotel

2017

Year that client joined LEA

STATUS

Status of Business at graduation

Grower

Status of Business upon enrolment

Grower



INTERVENTIONS



- Training on Records Keeping, Entrepreneurship Development Training, Sales and Marketing, Business Planning, Customer Care, First Aid and Fire Marshall
- Financial Viability Assessment
- Facilitation for Pre-grading Assessment
- Workshops on Travel Show and Expo Readiness, Northern SMME Pitso
- Assisted with implementation during expansion
- Business Advisory Services
- Business Coaching and Mentoring



EMPLOYEES

Number of employees upon enrolment

3

Number of employees upon graduation

6



TURNOVER

2022

49%

2017



CAPACITY

When joining LEA

8 hotel room





Upon graduation

15 Roomed Hotel with conferencing facility accommodating 50 people

Thulamela Guest House



Accommodation
Restaurant

-  Mowana Ward, Mahalapye
-  4711949/73639995
-  thulamelaguesthse.botswana@gmail.com
-  Thulamela Guest House

2016

Year that client joined LEA

STATUS

Status of Business at graduation

Grower

Status of Business upon enrolment

Grower



INTERVENTIONS



- Record keeping training and introduction to Financial Viability Tool, Entrepreneurship Development Training, First aid and fire Marshall training
- Reservation system facilitation
- Branding of facilities facilitation and pre grading assessment
- Workshops -Travel show readiness, Northern SMME Pitso, Travel Expo Readiness Workshop
- Benchmarking with other Tourism facilities
- Human Resource Policy development
- Successfully graded with 2 stars



EMPLOYEES

Number of employees upon enrolment

3

Number of employees upon graduation

6



TURNOVER

2022

110%

2016



CAPACITY

When joining LEA

8 roomed guest house





Upon graduation

8 Roomed guest house

Just Ginger Beverages



Beverages from Ginger Indigenous Plant

-  Plot no 16435 Gaborone West, Gaborone
-  71513915/ 75237431
-  lebo@justgingerbevs.com
-  Just Ginger

2018

Year that client joined LEA

STATUS

Status of Business at graduation

Developer

Status of Business upon enrolment

Developer

INTERVENTIONS



- Business Incubation
- Training on Records Keeping, Entrepreneurship, Sales and Marketing, Occupational Hygiene and Health Safety, Technology Sourcing,
- Business Plan Development
- Workshop on Food Safety and Handling, Pricing and Taxation, Intellectual Property Awareness, Negotiation Skills, Buyer Seller Forum, SADC International Traders Forum, UNTACD Online Business Training
- Trademark Facilitation
- Facilitation of Market Access -by participating at trade fairs- Women in Business Forums, Global Expo, Procurement Workshop Seminar, SMME PITSO, LEA market Days, Dinokeng Youth Entrepreneurship
- Facilitation of Linkages with District office Kgatleng, Ministry of Youth
- Facilitation of Product Testing and Certification
- Website Development, Branding, Packaging & Labelling
- Financial Viability Assessment
- Business Advisory Services
- Business Coaching and Mentoring



EMPLOYEES

Number of employees upon enrolment

8

Number of employees upon graduation

9



TURNOVER

2022

1288%

2018



CAPACITY

When joining LEA

Gemere
250ml - 2500
2l - 1500
5l - 1000

Upon graduation

New product line

Phafana
500ml - 4800 bottles
Just Ginger Gemere (preservative free) - 250ml - 2397 bottles

New product line -

Just Ginger Gemere (raw honey)
250ml - 1438 bottles
Gemere - 2l - 3000 bottles





New product line

Gereme (new packaging)
2l & 5l

Real Gumtree Investments (Pty) Ltd



Manufacturing and repairing of canvas products: Canvas bags, canvas canopies, tents, tarps, blinds, tonneau covers, awnings, tautliners, gazebos, swimming pool covers, vehicles canopy covers as well as washing services

-  Plot No: 16492, Mmopane
-  3924073/71750708/73423092
-  realgumtreeinvestments001@gmail.com
-  Real Gumtree Investments

2015

Year that client joined LEA

STATUS

Status of Business at graduation

Grower

Status of Business upon enrolment

Micro starter



INTERVENTIONS



- Market Access Facilitation
- Branding, Labelling and Packaging
- Financial Viability Assessment
- Training on Customer Service
- Business Advisory Services
- Business Coaching and Mentoring



EMPLOYEES

Number of employees upon enrolment

2

Number of employees upon graduation

3



TURNOVER

2022

993%

2015



CAPACITY

When joining LEA

Tents only

Upon graduation

Introduction of more services and products such as various tents (marquees, bore tents, executive tents), luggage bags, ladies bags, Blinds

Tebby Day Care Centre



Day Care Centre



Plot No. 5508, Newstance, Selebi Phikwe
72921840
onthusitsekatholo@yahoo.com

2018

Year that client joined LEA

STATUS

Status of Business upon enrolment

Grower

Status of Business at graduation

Grower



EMPLOYEES

Number of employees upon enrolment

14

Number of employees upon graduation

11



TURNOVER

2022

41%

2018



INTERVENTIONS



- Training on Records Keeping, Customer Service
- Financial Viability Assessment
- Enterprise Coaching
- Business Advisory Services
- Business Coaching and Mentoring

CAPACITY

When joining LEA

85% enrollment

Upon graduation

Capacity upon graduation 100% (85/85)



Trust Radiator Clinic



Repair and Maintenance: -Repair of radiators, Skimming brake drums, cylinder heads and discs, pressure testing cylinder heads, relining brake shoes and pads



Unit 7, Industrial, Selebi Phikwe

77093907

trustradiatorclinic@gmail.com

2018

Year that client joined LEA

STATUS

Status of Business upon enrolment

Status of Business at graduation

Grower → Grower

CAPACITY

When joining LEA

Six machines producing five services

- Skimming brake drums and discs
- Cleaning and repairing radiators
- Pressure testing cylinder heads
- Skimming cylinder heads
- Relining brake shoes and Pads

Upon graduation

Eight machines producing the seven services

- Skimming brake drums and discs
- Cleaning and repairing radiators
- Pressure testing cylinder heads
- Skimming cylinder heads
- Relining brake shoes and Pads
- Welding Aluminum
- Pressing bearing, piston and conrods



EMPLOYEES

Number of employees upon enrolment

3

Number of employees upon graduation

11



TURNOVER

2022

46%

2018



INTERVENTIONS



- Training on Records Keeping, Customer Service
- Financial Viability Assessment
- Enterprise Coaching
- Business Advisory Services
- Business Coaching and Mentoring



DO YOU NEED FUNDING? LET LEA HELP YOU:

LEA can assist you to develop a bankable business plan for funding by CEDA, YDF, commercial banks and other funding institutions.





Financial Statements

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Board Members' Report

for the year ended 31 March 2022

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 2022.

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 7 to 46. The Authority generated a net surplus of P17 791 854 for the year ended 31 March 2022 (2021 Restated: P20 085 392).

Board members

Name	Role	Appointment / Retirement date
Ms Lorato Boakgomo-Ntakhwana	Chairperson	Appointed 1st December 2020
Mr Chilipi Mogasha	Member	Appointed 1st August 2020
Mr Dumilano Lopang	Member	Appointed 1st June 2019
Mr Mokgethi Nyatseng	Member	Appointed 1st June 2019
Ms Bonolo Champane	Member	Appointed 1st August 2017
Ms Boitumelo Gofhamodimo	Member	Appointed 1st August 2020
Ms Kathleen Molaodi	Member	Appointed 1st August 2020
Ms Moipedi Nkoane	Member	Appointed 1st August 2020
Ms Omphemetse Chimbombi	Member	Appointed 1st August 2019
Ms Patience Motswagole	Member	Appointed 1st November 2015

Registered office

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

Secretary

Grant Thornton
Acumen Park Plot, 50370 Fairgrounds
Gaborone, Botswana

Auditors

KPMG
Plot 67977, Off Tlokweng Road
Fairgrounds Office Park,
Gaborone, Botswana

Bankers

Standard Chartered Bank Botswana Limited
First National Bank of Botswana Limited
First Capital Bank Limited
Bank Gaborone Botswana Limited
African Banking Corporation of Botswana Limited
Absa Bank Botswana Limited

Board Member's Responsibility Statement

for the year ended 31 March 2022

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 2022, 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 21 December 2022 and are signed on their behalf by:



Lorato Boakgomo-Ntakhwana
Chairperson



Godfrey B Molefe
Chief Executive Officer (A)



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

Independent Auditor's Report

To the members of *Local Enterprise Authority*

Opinion

We have audited the financial statements of Local Enterprise Authority (the Authority) set out on pages 7 to 48, which comprise the statement of financial position at 31 March 2022, and the statement of surplus or deficit and other comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, significant accounting policies and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Local Enterprise Authority at 31 March 2022, 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 on operating expenses on page 20.	
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 Botswana with entrepreneurship skills. The total operating expenses incurred during the financial reporting year amounted to P152 401 038.</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 the following:</p> <p>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.</p> <p>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. The supporting documents we inspected included supplier invoices, evidence of appropriate authorisation and tender approval documents, where applicable.</p> <p>With the assistance of our information technology (IT) specialists;</p> <p>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.</p> <p>We followed up on exceptions identified through inspecting relevant supporting documentation for a sample to confirm whether they were valid transactions.</p>

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 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

KPMG
Certified Auditors
Practicing Member: Archibald Gumede
Certified Auditor of Public Interest Entity
BAOA Certificate Number CAP 0045 2022
Gaborone
23 December 2022

Statement Of Surplus Or Deficit And Other Comprehensive Income

for the year ended 31 March 2022

In Pula

	Notes	2022	2021 Restated*
Government subvention	7	130 123 150	124 086 931
Government grants amortisation	9; 17	35 926 326	23 797 340
Other operating income		5 262 545	3 376 977
		171 312 021	151 261 248
Operating expenses	17	(152 401 038)	(132 184 256)
Operating surplus	1	18 910 983	19 076 992
Finance income	2	416 780	2 692 344
Finance expense	2	(1 535 909)	(1 683 944)
Net surplus for the year		17 791 854	20 085 392
Other comprehensive income		-	-
Total comprehensive income for the year		17 791 854	20 085 392

* The comparative information is restated on account of correction of errors. Refer to note 17 for details.

Statement Of Financial Position

at 31 March 2022

In Pula

	Notes	2022	2021 Restated*	2020 Restated*
ASSETS				
Non-current assets				
Property, plant and equipment	4.1; 17	105 651 330	102 834 692	103 918 162
Intangible assets	4.2	1 367 114	1 836 568	1 582 102
Right of use assets	5	19 127 277	21 794 259	25 013 642
		<u>126 145 721</u>	<u>126 465 519</u>	<u>130 513 906</u>
Current assets				
Trade and other receivables	6	4 867 989	4 033 391	2 815 192
Cash and cash equivalents	8	69 555 267	86 200 061	38 668 274
		<u>74 423 256</u>	<u>90 233 452</u>	<u>41 483 466</u>
Total assets		<u>200 568 977</u>	<u>216 698 971</u>	<u>171 997 372</u>
FUNDS AND LIABILITIES				
Funds				
Accumulated surplus		<u>46 495 962</u>	<u>28 704 108</u>	<u>8 618 716</u>
Non-current liabilities				
Deferred capital grants	9; 17	80 710 869	83 479 334	87 807 292
Long-term portion of lease liability	10	19 051 318	21 400 773	23 890 867
		<u>99 762 187</u>	<u>104 880 107</u>	<u>111 698 159</u>
Current liabilities				
Short-term portion of deferred capital grants	9; 17	3 378 305	4 259 018	3 961 761
Short-term portion of lease liability	10	3 509 076	2 980 972	2 529 121
Trade and other payables	11	17 872 571	13 731 851	11 959 317
Deferred revenue grants	9	29 550 876	62 142 915	33 230 298
		<u>54 310 828</u>	<u>83 114 756</u>	<u>51 680 497</u>
Total liabilities		<u>154 073 015</u>	<u>187 994 863</u>	<u>163 378 656</u>
Total equity and liabilities		<u>200 568 977</u>	<u>216 698 971</u>	<u>171 997 372</u>

* The comparative information is restated on account of correction of errors. Refer to note 17 for details.

Statement Of Changes In Funds

for the year ended 31 March 2022

In Pula

	Accumulated surplus
Balance at 1 April 2020 - as previously stated	7 682 685
Correction of prior period error adjustments*	936 031
Balance at 1 April 2020 - Restated	<u>8 618 716</u>
Net surplus for the year*	20 085 392
Balance at 31 March 2021 - Restated	<u>28 704 108</u>
Net surplus for the year	17 791 854
Balance at 31 March 2022	<u>46 495 962</u>

* *The comparative information is restated on account of correction of errors. Refer to note 17 for details.*

Statement Of Cash Flows

for the year ended 31 March 2022

In Pula

	Notes	2022	2021 Restated*
OPERATING ACTIVITIES			
Net surplus	1	17 791 854	20 085 392#
Adjustment for:			
Depreciation of property, plant and equipment	4.1; 17	6 041 982	6 884 269
Impairment of property, plant and equipment	4.1	216 720	860 001
Amortisation of intangible assets	4.2	614 860	493 028
Depreciation of right of use assets	5	3 838 369	3 798 951
Amortisation of grants	9; 17	(35 926 326)	(23 797 340)
Finance income	2	(416 780)	(2 692 344)#
Finance expense	2	1 535 909	1 683 944#
Derecognition of capital grants on disposal/impairment of related assets	9	(314 891)	(1 320 744)
(Gain)/Loss on disposal of property, plant and equipment		(914 615)	55 200
Operating (deficit)/surplus before changes in working Capital		<u>(7 532 918)</u>	<u>6 050 357</u>
Movement in trade and other receivables		(692 343)	(1 218 199)
Movement in trade and other payables		4 140 720	1 772 534
Net cash (utilised by)/generated from operating activities		<u>(4 084 541)</u>	<u>6 604 692</u>
INVESTING ACTIVITIES			
Finance income received		416 780	2 692 344
Proceeds from disposal of property, plant and equipment		1 253 256	11 484
Acquisition of property, plant and equipment	4.1	(9 556 236)	(6 727 484)
Acquisition of intangible assets	4.2	(145 406)	(747 494)
Net cash used in investing activities		<u>(8 031 606)</u>	<u>(4 771 150)</u>
FINANCING ACTIVITIES			
Government grants received	9	-	50 000 000
Payment of lease liability	10	(4 528 647)	(4 301 755)
- Capital paid		(2,992,738)	(2,617,811)^
- Interest paid	2	(1 535 909)	(1 683 944)^
Net cash (used in) / inflow from financing activities		<u>(4 528 647)</u>	<u>45 698 245</u>
Movement in cash and cash equivalents		<u>(16 644 794)</u>	<u>47 531 787</u>
Cash and cash equivalents at beginning of year	8	86 200 061	38 668 274
Cash and equivalents at end of year	8	<u>69 555 267</u>	<u>86 200 061</u>

* The comparative information is restated on account of correction of errors. Refer to note 17 for details.

^ The comparative information relating to payment of lease liability was restated to present interest and capital paid separately on the cash flow statement to align with the requirements of IFRS. No other primary statements were affected by this restatement.

#The statement of cash flows previously started with operating surplus and in the current year the comparatives were restated to start with net surplus in line with IFRS. This change required corresponding adjustments for finance income and finance expense to be made to align with the updated format of the statement of cash flows.

Significant Accounting Policies

for the year ended 31 March 2022

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 21 December 2022.

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 2022

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 - 15 years
• Furniture and fittings 1	0 years
• Office equipment	5 -10 years
• Motor vehicles	4 -18 years
• Computer equipment	4 -10 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. Refer to note 4 for details.

Significant Accounting Policies *(continued)*

for the year ended 31 March 2022

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 2022

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 2022

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 2022

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 2022

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 2022

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. Non-monetary grants are measured at fair value on initial recognition which is considered as the deemed cost. 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 2022

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 2022

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 industry support facility projects).

Significant Accounting Policies *(continued)*

for the year ended 31 March 2022

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 2022 and were adopted by the Authority:

Standards/Interpretations	Effective date	Impact on these financial statements
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	01 January 2021	No material impact on financial statements
IFRS 16 amendment – Covid 19 related rent concessions	01 April 2021	No material impact on 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 2022 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 2022

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

Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

The IASB has amended IAS 12 *Income taxes*, to require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.

Paragraphs 15 and 24 of IAS 12 were amended to include an additional condition where the initial recognition exemption is not applied. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences. Paragraph 22A has been added to provide further clarification of this principle. Paragraphs 22(b) and 22(c) of IAS 12 have also been amended.

In addition, the Illustrative Examples accompanying IAS 12 have been amended to include Example 8 – Leases, to illustrate the new guidance.

Finally, there have been some consequential amendments to IFRS 1, ‘First-time Adoption of International Financial Reporting Standards’. Deferred tax related to assets and liabilities arising from a single transaction has been added to the list of the exceptions to the retrospective application of other IFRSs.

The amendment is effective for annual periods beginning on or after 1 January 2023. 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. The standard is not expected to have any impact on the Authority’s financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The requirements in IFRSs, in particular in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, make a distinction between how an entity should present and disclose different types of accounting changes in its financial statements.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

Significant Accounting Policies *(continued)*

for the year ended 31 March 2022

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

Annual Improvements to IFRSs 2018–2020 Cycle

On May 14, 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020. The pronouncement contains amendments to four International Financial Reporting Standards as result of the IASB's annual improvements project.

This project tracks developments in the annual improvements process for the 2018–2020 cycle. Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards

Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 Financial Instruments

Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases

Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41 Agriculture

Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments to IFRS 1, IFRS 9, and IAS 41 are all effective for annual periods beginning on or after 1 January 2022, with earlier application is permitted. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.

Amendments to IFRS 17 Insurance Contracts

Since IFRS 17 *Insurance Contracts* was issued in May 2017, the amendments address the concerns and implementation challenges that were identified after publication.

The main changes resulting from Amendments to IFRS 17 are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after January 1, 2023.
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.

Significant Accounting Policies *(continued)*

for the year ended 31 March 2022

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

Amendments to IFRS 17 Insurance Contracts *(continued)*

- Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

The amendments to IFRS 17 are effective for annual periods beginning on or after 1 January 2023. The amendments must be applied retrospectively and earlier application is permitted. The amendments are not expected to have any material impact on the Authority's financial statements.

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.

Significant Accounting Policies *(continued)*

for the year ended 31 March 2022

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

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 2022

In Pula

1. Operating surplus

The operating surplus of P18 910 983 (2021 Restated*: P19 076 992) is stated after taking into account the following:

	2022	2021 Restated*
(Gain)/Loss on disposal of property, plant and equipment	(940 230)	55 200
Rental income	(1 256 485)	(853 799)
Sundry income	(1 793 110)	(423 115)
Training and resource centre income	(912 289)	(647 220)
Increase/(Reversal) in expected credit loss	498 654	194 072
Auditors' remuneration – current year	389 170	361 644
Board sitting allowance	290 709	331 212
Amortization of intangible assets (note 4)	614 860	493 028
Depreciation of property, plant and equipment (note 4; 17)	6 041 982	6 884 269
Depreciation of right of use assets (note 5)	3 838 369	3 798 951
Impairment of property, plant and equipment (note 4)	216 720	860 001
Insurance expenses	990 993	1 002 605
Legal fees	266 098	523 055
Operating lease rentals for low value and short-term leases	3 529 572	2 916 934
Project expenses – “Industry Support Facility”	30 628 950	18 513 547
Project expenses – “Leather Park”	1 919 071	1 557 490
Remuneration to senior management	12 089 396	13 658 038
Repairs and maintenance costs	4 711 189	2 998 157
Security expenses	4 607 350	4 254 343
Staff costs – salaries and wages	52 936 996	48 336 984

*** The comparative information is restated on account of correction of errors. Refer to note 17 for details.**

2. Finance income and expense

Finance income

Net foreign exchange loss	(589)	(23 539)
Interest received on bank deposits	379 472	2 587 102
Interest income accrued	37 897	128 781
	<u>416 780</u>	<u>2 692 344</u>

Finance expense

Interest on lease liabilities (note 10)	(1 535 909)	(1 683 944)
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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 2022

In Pula

4.1 Property, plant and equipment

2022

	Capital work in progress	Land and buildings	Leasehold improvements	Plant and equipment	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Library books	Total
Cost										
At 1 April 2021	2 331 663	115 960 466	17 334 722	7 836 397	6 304 745	4 997 287	21 455 617	6 822 338	378 357	183 421 592
Additions	6 409 915	135 864	34 899	132 952	123 843	373 120	1 271 490	1 071 442	2 711	9 556 236
Transfers	(3 261 931)	2 546 987	-	713 736	-	1 208	-	-	-	-
Disposals	-	-	-	-	-	-	(4 679 688)	-	-	(4 679 688)
Impairment	(216 720)	-	-	-	-	-	-	-	-	(216 720)
Transfer to receivables	(142 255)	-	-	-	-	-	-	-	-	(142 255)
At 31 March 2022	5 120 672	118 643 317	17 369 621	8 683 085	6 428 588	5 371 615	18 047 419	7 893 780	381 068	187 939 165
Accumulated Depreciation										
At 1 April 2021	-	30 558 085	14 073 577	4 757 636	4 222 786	4 330 073	17 168 722	5 119 771	356 250	80 586 900
Charge for the year	-	3 056 737	1 018 158	277 072	319 951	247 974	409 927	706 989	5 174	6 041 982
Disposals	-	-	-	-	-	-	(4 341 047)	-	-	(4 341 047)
At 31 March 2022	-	33 614 822	15 091 735	5 034 708	4 542 737	4 578 047	13 237 602	5 826 760	361 424	82 287 835
Carrying amount 2022	5 120 672	85 028 495	2 277 886	3 648 376	1 885 851	793 568	4 809 817	2 067 020	19 644	105 651 330

Notes to the Financial Statements

(continued)

for the year ended 31 March 2022

In Pula

4.1 Property, plant and equipment (Continued)

2021 Restated

Cost	Capital work in progress	Land and buildings	Leasehold improvements	Plant and equipment	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Library books	Total
Restated At 1 April 2020	2 052 141	115 699 455*	17 191 058	6 950 318	6 151 962^	4 574 534^	19 882 755	6 286 113^	354 407	179 142 743
Additions	3 421 473	214 083	143 664	133 121	152 783	464 867	1 572 862	600 681	23 950	6 727 484
Transfers	(2 826 026)	46 928	-	2 779 098	-	-	-	-	-	-
Disposals	-	-	-	-	-	(42 114)	-	(64 456)	-	(106 570)
Impairment	(315 925)	-	-	(2 026 140)	-	-	-	-	-	(2 342 065)
Restated at 31 March 2021	2 331 663	115 960 466	17 334 722	7 836 397	6 304 745	4 997 287	21 455 617	6 822 338	378 357	183 421 592

Accumulated Depreciation

Restated at 1 April 2020	-	27 553 829*	13 074 516	4 897 946#	3 861 218^	4 200 026^	16 808 454#	4 474 937^	353 655	75 224 581
Charge for the year	-	3 004 256	999 061	1 341 754	361 568	164 272	360 268	650 495	2 595	6 884 269
Disposals	-	-	-	-	-	(34 225)	-	(5 661)	-	(39 886)
Impairment	-	-	-	(1 482 064)	-	-	-	-	-	(1 482 064)
Restated at 31 March 2021	-	30 558 085	14 073 577	4 757 636	4 222 786	4 330 073	17 168 722	5 119 771	356 250	80 586 900

Carrying amount

2021 – restated	2 331 663	85 402 381	3 261 145	3 078 761	2 081 959	667 214	4 286 895	1 702 567	22 107	102 834 692
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Refer to page 109 and 110 for details of prior year restatements, *, # and ^.

Notes to the Financial Statements

(continued)

for the year ended 31 March 2022

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4.1 Property, plant and equipment (Continued)

2020 Restated	Capital work in progress	Land and buildings	Leasehold improvements	Plant and equipment	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Library books	Total
Previously stated at										
1 April 2019	1 978 976	87 360 855	15 745 012	6 637 227	7 374 664	6 790 899	19 882 755 2	3 876 709	354 407	170 001 504
Prior period error adjustments. (Note 17)	-	28 338 600*	-	-	(2 044 935)^	(2 232 794)^	-	(19 140 758)^	-	4 920 113
Restated at 1 April 2019	1 978 976	115 699 455	15 745 012	6 637 227	5 329 729	4 558 105	19 882 755	4 735 951	354 407	174 921 617
Additions	1 192 977	-	4 403 686	313 091	1 752 778	46 518	-	528 738	-	8 237 788
Transfers	(1 119 812)	-	-	-	-	98 388	-	1 021 424	-	-
Disposals	-	-	(2 957 640)	-	(930 545)	(128 477)	-	-	-	(4 016 662)
Restated at 31 March 2020	2 052 141	115 699 455	17 191 058	6 950 318	6 151 962	4 574 534	19 882 755	6 286 113	354 407	179 142 743
Accumulated Depreciation										
Previously stated at 1 April 2019	-	18 748 388	15 172 586	4 451 811	6 467 298	6 394 036	18 285 925	23 003 008	349 740	92 872 792
Prior period error adjustments. (Note 17)	-	5 804 338*	-	(428 801)#	(2 044 935)^	(2 232 794)^	(1 782 124)#	(19 140 758)^	-	(19 825 074)
Restated at 1 April 2019	-	24 552 726	15 172 586	4 023 010	4 422 363	4 161 242	16 503 801	3 862 250	349 740	73 047 718
Charge for the year	-	3 001 103	791 723	874 936	348 920	167 251	304 653	612 687	3 915	6 105 188
Disposals	-	-	(2 889 793)	-	(910 065)	(128 467)	-	-	-	(3 928 325)
Restated at 31 March 2020	-	27 553 829	13 074 516	4 897 946	3 861 218	4 200 026	16 808 454	4 474 937	353 655	75 224 581
Carrying amount										
2020 - restated	2 052 141	88 145 626	4 116 542	2 052 371	2 290 744	374 508	3 074 301	1 811 176	752	103 918 162

In the current year, the Authority completed a full asset verification exercise and reassessment of useful lives and residual values to ensure that its property, plant and equipment register accurately reflected its assets. The following adjustments were made as a result of this exercise:

* The Authority received several capital grants in prior periods relating to land and buildings which house incubators, training facilities and branches that are located across Botswana. The Authority has a policy of measuring non-monetary grants at fair value on initial recognition and considers this as the deemed cost. In the current year, the valuation of the assets acquired as grants was performed retrospectively as of the date of acquisition and resulted in the initial recognition of the assets and related government grants amounting to P28 338 600. Refer to note 17.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

In Pula

4.1 Property, plant and equipment *(continued)*

The market value of land and buildings was determined by RealReach (Pty) Ltd, an external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation was performed on the date the assets were received from the government. The company considers the fair value of the land and buildings at each reporting date. The fair value is determined on the open market value which is the price at which the property might reasonably be expected to be sold at the date of the valuation, assuming an arm's length transaction between a willing seller and a willing buyer and that a reasonable period of time is allowed for the disposal of the property. In calculating the fair value, the valuer has adopted various valuation techniques generally used by independent valuers. The key assumptions underlying the valuation techniques are based on unobservable inputs and accordingly result in the valuations being classed as level 3 in terms of the fair value hierarchy.

In line with the Authority's accounting policy, the assets were subsequently measured on the basis of the cost model with the asset cost and related grant being amortised on a straight-line basis over the useful life of the asset. The correction of the prior period error resulted in a cumulative catch-up adjustment of P5 804 338 up to 1st April 2019 relating to both accumulated depreciation and amortization of the deferred grant. Refer to note 17.

Following a review exercise, the Authority has adjusted the useful lives and residual values of some assets as detailed below. Prior year adjustments were made to correct carrying amounts as the Authority had some assets that were still in use but were fully depreciated. Refer to note 17.

Asset Class	Useful life		Residual values %		Estimated decrease on annual depreciation over the next 5 years
	Old policy	New policy	Old policy	New policy	
Plant and equipment	4 years	4 - 15 years	0%	0%	P2 091 406
Office Equipment	5 years	5 -10 years	0%	0%	P145 201
Motor vehicles	4 years	4 -18 years	0%	20%	P974 277
Computer equipment	4 years	4 -10 years	0%	0%	PO

^The table below indicates the asset classes including related amounts that were adjusted:

Asset Class	Disposal Values		
	Cost	Accumulated Depreciation	Carrying amount
Office Equipment	2 232 794	(2 232 794)	-
Furniture and fixtures	2 044 935	(2 044 935)	-
Computer equipment	19 140 758	(19 140 758)	-

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.

Some leases with a prepayment can either be amortised over the remaining lease term as of the initial recognition date or expensed in full on account of the amount being immaterial. The Authority has expensed the full amount as it is immaterial.

For leases with instalment payments, the Authority has recognised a right of use asset and lease liability and subsequently measure in accordance with IFRS 16, refer to note 5 for right of use assets and note 10 lease liability recognised in this regard.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

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4.2 Intangible assets

Intangible assets relate to the phased implementation of SAGE Enterprise Resource Planning (ERP) system. The work in progress related to SAGE Customer Relationship Management (CRM) system which went live in the current year, in October 2021, and was transferred to be amortised on a straight-line basis over the useful life. The following table shows the intangible assets movement from the prior year.

	Capital Work in Progress	Computer Software	Total
Cost			
At 1 April 2020	48 428	2 438 931	2 487 359
Additions	432 953	314 541	747 494
At 1 April 2021	481 381	2 753 472	3 234 853
Additions	130 538	14 868 1	45 406
Transfers	(611 919)	611 919	-
At 31 March 2022	-	3 380 259	3 380 259
Accumulated Amortisation			
At 1 April 2020	-	905 257	905 257
Charge for the year	-	493 028	493 028
At 1 April 2021	-	1 398 285	1 398 285
Charge for the year	-	614 860	614 860
At 31 March 2022	-	2 013 145	2 013 145
Carrying amount 2022	-	1 367 114	1 367 114
Carrying amount 2021	481 381	1 355 187	1 836 568

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

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. These 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.

	2022	2021
Right-of-use assets	<u>19 127 277</u>	<u>21 794 259</u>
The right-of-use assets can be summarised as below:		
Balance at the beginning of the year	21 794 259	25 013 642
Additions during the year	756 830	579 568
Re-measurement of ROU asset due to VAT rate changes	414 557	-
Depreciation charge for the year	(3 838 369)	(3 798 951)
Balance at the end of the year	<u>19 127 277</u>	<u>21 794 259</u>

6. Trade and other receivables

Trade receivables	1 192 976	529 668
Less: impairment allowances	(988 046)	(489 392)
	<u>204 930</u>	<u>40 276</u>
Deposits and prepayments	3 440 133	3 511 879
Sundry receivables	495 713	19 214
Salary advances	689 316	339 241
Accrued interest on deposits	37 897	122 781
	<u>4 867 989</u>	<u>4 033 391</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	130 123 150	124 086 931
Industry Support Facility	-	50 000 000
Amortisation of capital grants	3 378 305	3 424 957
Amortisation of revenue grants	32 548 021	20 372 383
Transactions with Government of Botswana	<u>166 049 476</u>	<u>197 884 271</u>
Rental payments to BDC	(1 939 369)	(1 797 496)
Operating costs	(279 154)	(398 733)
Transactions with BDC	<u>(2 218 523)</u>	<u>(2 196 229)</u>

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

In Pula

7. Related parties *(continued)*

	2022	2021
<i>Key management personnel remuneration</i>		
Board allowances	(290 709)	(331 212)
Salaries and allowances	(8 981 427)	(11 217 171)
Chief Executive Officer	(1 625 934)	(1 723 350)
Post-employment benefits	(1 482 035)	(717 517)
	<u>(12 380 105)</u>	<u>(13 989 250)</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	30 400 562	58 637 586
Current account balances	39 146 920	27 554 088
Cash on hand	7 785	8 387
	<u>69 555 267</u>	<u>86 200 061</u>

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

Short term deposits and current account balances	69 547 482	86 191 674
Cash on hand	7 785	8 387
	<u>69 555 267</u>	<u>86 200 061</u>

9. Government grants

	2022	2021	2020
		Restated*	Restated*
<i>Deferred capital grants</i>			
Balance at 1 April	87 738 352	91 769 053	71 595 118
Prior period error adjustments	-	-	24 143 288
Additions for the year	44 018	1 549 061	-
Amortisation to surplus or deficit	(3 378 305)	(3 424 957)	(3 961 761)
Capitalisation to land and buildings capital grants	-	(834 061)	-
Disposal for the year	(314 891)	-	(7 592)
Impairment for the year	-	(1 320 744)	-
Balance at 31 March	<u>84 089 174</u>	<u>87 738 352</u>	<u>91 769 053</u>

At the reporting date the capital grants are analysed as follows:

Short term portion	3 378 305	4 259 018	3 961 761
Long term portion	<u>80 710 869</u>	<u>83 479 334</u>	<u>87 807 292</u>
	<u>84 089 174</u>	<u>87 738 352</u>	<u>91 769 053</u>

* The comparative information is restated on account of correction of errors. Refer to note 17 for details.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

In Pula

9. Government grants *(continued)*

	2022	2021	2020
<i>Deferred revenue grants</i>			
Balance at 1 April	62 142 915	33 230 298	13 585 490
Grants received	–	50 000 000	20 000 000
Amortised to cover related expenses incurred	(32 548 021)	(20 372 383)	(355 192)
Capitalisation to motor vehicle capital grants	(44 018)	(715 000)	–
Balance at 31 March	<u>29 550 876</u>	<u>62 142 915</u>	<u>33 230 298</u>
	2022	2021	2020
		Restated*	Restated*
Total deferred grants balance at 1 April	149 881 267	124 999 351	85 180 608
Prior period adjustments	–	–	24 143 288
Grants received	–	50 000 000	20 000 000
Additions for the year	44 018	1 549 061	–
Amortisation to surplus or deficit	(35 926 326)	(23 797 340)	(4 316 953)
Capitalisation to capital grants	(44 018)	(1 549 061)	–
Disposal for the year	(314 891)	–	(7 592)
Impairment for the year	–	(1 320 744)	–
Total deferred grants balance at 31 March	<u>113 640 050</u>	<u>149 881 267</u>	<u>124 999 351</u>

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 P44 018 (2021: P1 549 061) that was funded from the revenue grants. Capital grants of the related assets of the same amount were recognised and amortised to the surplus or deficit over the useful lives of the assets.

* The Authority received several capital grants in prior periods relating to land and buildings. The Authority has a policy of measuring non-monetary grants at fair value on initial recognition and considers this as the deemed cost. In the current year, the valuation of the assets acquired as grants was performed retrospectively as of the date of acquisition and resulted in the initial recognition of the grant amounting to P28 338 600. The correction of the prior period error resulted in a cumulative amortization catch up adjustment of P5 804 338 up to 1st April 2019. Refer to note 17 for details.

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 P28 693 372 (2021: P30 656 462).

In the previous 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 P857 504 (2021: P31 486 453).

The Authority received a government subvention to cover its normal operations for the year amounting to P130 123 150 (2021: P124 086 931).

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

In Pula

10. Lease liability

	2022	2021
Lease liability	<u>22 560 394</u>	<u>24 381 745</u>
At the reporting date the lease liability is analysed as follows:		
Short term portion	3 509 076	2 980 972
Long term portion	<u>19 051 318</u>	<u>21 400 773</u>
	<u>22 560 394</u>	<u>24 381 745</u>

Maturity analysis – contractual undiscounted cash flows

Within one year	4 773 059	4 452 285
After one year, before five years	17 624 162	18 128 530
After five years	<u>5 226 644</u>	<u>7 550 899</u>
Total undiscounted lease liabilities at 31 March	27 623 865	30 131 714
Total finance expense allocated to future periods	<u>(5 063 471)</u>	<u>(5 749 969)</u>
Lease liability at 31 March	<u>22 560 394</u>	<u>24 381 745</u>

The lease liability can be reconciled as below:

Lease liability at 1 April	24 381 745	26 419 988
Additions during the year	756 830	579 568
Remeasurement of lease liability during the year	414 557	-
Interest expense on lease liability	1 535 909	1 683 944
Lease payments made for the year	<u>(4 528 647)</u>	<u>(4 301 755)</u>
Lease liability at 31 March	<u>22 560 394</u>	<u>24 381 745</u>

Refer to note 5 for details of related right of use assets.

11. Trade and other payables

Trade payables	1 541 887	2 404 321
Accruals and other payables	6 569 513	3 929 193
Payroll related accruals	<u>9 761 171</u>	<u>7 398 337</u>
	<u>17 872 571</u>	<u>13 731 851</u>

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

In Pula

12. Commitments and contingencies

Low value and short-term leases

There are no future obligations with respect to 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 (2021: 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 P3 224 916 (2021: P2 795 105) at year end.

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.

However, there was an announcement by His Excellency, The President of the Republic of Botswana on 21st April 2022 that in order to improve government operational efficiencies, the Local Enterprise Authority will be merged with another parastatal, the Citizen Entrepreneurial Development Agency. The new entity would report to the newly established Ministry of Entrepreneurship.

Following the announcement by Government of the merger of parastatals, the Ministry of Entrepreneurship wrote a letter to the Local Enterprise Authority in May 2022, stating that the rationalisation strategy was still at an infancy stage and that, in the meantime, parastatals and public entities were expected to continue to deliver on their initial mandates. 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.

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 2022 of P17 791 854 (2021 Restated: P20 085 392) and as of that date its total assets exceeded its total liabilities by P46 495 962 (2021 Restated: P28 704 108), while the current assets exceeded current liabilities by P20 112 428 (2021 Restated: P7 118 696). 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 P28 693 372 and P857 504 respectively (2021: Leather Park Project of P30 656 462 and Industry Support Facility of P31 486 453). Total current liabilities also include deferred capital grants of P3 378 304 (2021 Restated: P4 259 018). Refer to note 17 for details of all restated amounts.

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.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

In Pula

14. Going concern *(continued)*

The Government has approved the Authority's 2022/2023 budget and is continuing to provide financial support to the Authority through Government subvention and grants. The approved budget for the 2022/2023 financial year amounted to P146 466 990. The Government has pledged to support the Authority in the next financial year through a government subvention of P146 466 990 disbursed in four equal instalments. Subsequent to year-end the Authority has received P73 233 495 in grants from the Government.

The board members continue to monitor the financial impact of COVID-19 and acknowledge that uncertainty exists as a result of the current economic conditions impacted by geopolitical tensions. 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 2022.

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 12 months from the date of signing of these financial statements.

Further, from a strategic perspective, the Authority aims to implement cost containment initiatives such as negotiating rental reduction of its 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 and geopolitical tensions, 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 2022

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	2022	2021
Trade and other receivables	738 540	182 271
Cash and cash equivalents	69 547 482	86 191 674
	<u>70 286 022</u>	<u>86 373 945</u>

Financial liabilities

Trade and other payables	<u>8 111 400</u>	<u>6 333 514</u>
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Credit risk

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

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

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

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 2022

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15. Financial instruments *(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:

	2022	2021
Trade receivables	204 930	40 276
Other receivables	533 610	141 995
Cash and cash equivalents	69 547 482	86 191 674
	<u>70 286 022</u>	<u>86 373 945</u>

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

	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
Current	-	-	-	-
Past due 1 – 30 days	312 537	(146 595)	41 485	(22 742)
Past due 31 – 60 days	109 707	(73 094)	59 784	(39 799)
Past due 61 – 90 days	72 438	(70 063)	40 143	(38 595)
Past due more than 90 days	698 294	(698 294)	388 256	(388 256)
	<u>1 192 976</u>	<u>(988 046)</u>	<u>529 668</u>	<u>(489 392)</u>

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

	Impairment 2022	Impairment 2021
Balance at beginning of year	489 392	295 320
Increase in allowance included in surplus or deficit	498 654	194 072
Balance at end of year	<u>988 046</u>	<u>489 392</u>

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

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
2022		
Trade and other payables	8 111 400	8 111 400
2021		
Trade and other payables	6 333 514	6 333 514

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 2022

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

	2022	2021	2022	2021
Investments	1.50%-6.50%	1.25%-4.80%	30 400 562	58 637 586
Call accounts	0.02%	0.02%	36 211 911	21 471 348
			<u>66 612 473</u>	<u>80 108 934</u>

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:

	2022	2021
Investments	152 003	293 188
Call accounts	181 060	107 357
Net decrease in net deficit/increase in net surplus	<u>333 063</u>	<u>400 545</u>

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 levels by valuation method. The different levels are defined as follows:

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

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

This category includes instruments valued using:

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

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

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

The Authority had no financial instruments measured at fair value through profit or loss on hand during the current or prior 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 2022

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
2022				
Assets				
Trade and other receivables	4 867 989	738 540	4 129 449	4 867 989
Cash and cash equivalents	69 555 267	69 547 482	7 785	69 555 267
	<u>74 423 256</u>	<u>70 286 022</u>	<u>4 137 234</u>	<u>74 423 256</u>
Liabilities				
Trade and other payables	<u>17 872 571</u>	<u>8 111 400</u>	<u>9 761 171</u>	<u>17 872 571</u>

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

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
	<u>90 233 452</u>	<u>86 373 945</u>	<u>3 859 507</u>	<u>90 233 452</u>
Liabilities				
Trade and other payables	<u>13 731 851</u>	<u>6 333 514</u>	<u>7 398 337</u>	<u>13 731 851</u>

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

In Pula

17. Prior period errors

During the year, the Authority corrected prior period errors relating to land and buildings, plant and equipment, motor vehicles and capital grants as detailed below. The errors have been corrected retrospectively by restating each financial statements line item. The overall impact on the Authority's financial statements as at 31 March 2020 and 31 March 2021 is disclosed below.

17.1 Error 1 Reassessment of residual values and useful lives

In prior periods, the Authority did not correctly review the useful lives and residual values relating to plant and equipment and motor vehicles as required by IAS 16.51 and this resulted in assets that are fully depreciated but still in use. The Authority has corrected the error through reassessing useful lives and residual values for prior periods and making the necessary adjustments to correct the carrying value of the respective assets.

17.2 Error 2 Inconsistent measurement of non-monetary grants

In addition, the Authority received several capital grants in prior periods relating to land and buildings that were not recognised in line with the Authority's accounting policy. The Authority has a policy of measuring non-monetary grants at fair value on initial recognition and considers this as the deemed cost. The cost of the land and buildings has been recognised correctly and the asset has been subsequently measured at cost less accumulated depreciation. The corresponding capital grants were also recognised and amortised over the respective asset's useful life.

17.3 Error 3 Accounting for prior period disposals

The Authority adjusted the cost and accumulated depreciation to remove assets that were fully depreciated and disposed without corresponding entries being made in the financial statements due to inadequate control over the property, plant and equipment cycle. Refer to note 4.1.

Notes to the Financial Statements (continued)

for the year ended 31 March 2022

In Pula

17. Prior period errors (continued) Extract from the statement of financial position

ADJUSTMENTS TO 31 MARCH

Description of errors	As previously reported	Cumulative adjustment on opening balance	Current period adjustments		Total Adjustment	Restated
			PPE-Depreciation	Capital Grants-Amortization		
2020						
Non-current assets						
Property, plant and equipment	79 134 022	24 745 188	38 952	-	24 784 140	103 918 162
Funds						
Accumulated surplus	7 682 685	601 900	38 952	295 179	936 031	8 618 716
Non-current liabilities						
Deferred capital grants	64 254 362	24 143 288	-	(590 358)	23 552 930	87 807 292
Current Liabilities						
Short-term portion of deferred capital grants	3 666 582	-	295 179		295 179	3 961 761
2021						
Non-current assets						
Property, plant and equipment	78 333 324	24 784 140	(282 772)	-	24 501 368	102 834 692
Funds						
Accumulated surplus	27 682 252	936 031	(282 772)	368 597	1 021 856	28 704 108
Non-current liabilities						
Deferred capital grants	60 368 419	23 848 109	-	(737 194)	23 110 915	83 479 334
Current Liabilities						
Short-term portion of deferred capital grants	3 890 421	-	-	368 597	368 597	4 259 018

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

In Pula

ADJUSTMENTS TO 31 MARCH

17. Prior period errors *(continued)*

2021

Extract from the statement of comprehensive income

Description of errors	As previously reported	Current period		Total Adjustment	Restated
		PPE-Depreciation	Capital Grants-Amortization		
Government grants amortisation	23 428 743	-	368 597	368 597	23 797 340
Operating expenses	(131 901 484)	(282 772)	-	(282 772)	(132 184 256)
Net surplus for the year	19 999 567	(282 772)	368 597	85 825	20 085 392

Extract from the statement of cash flows

Cash flows from operating activities					
Operating surplus	18 991 167	(282 772)	368 597	85 825	19 076 992
Adjustments for:					
Depreciation of property, plant and equipment	6 601 497	282 772	-	282 772	6 884 269
Amortization of grants	(23 428 743)	-	(368 597)	368 597	(23 797 340)

Detailed Income Statement

for the year ended 31 March 2022

<i>In Pula</i>	2022	2021 Restated*
Income		
Government subvention	130 123 150	124 086 931
Amortisation of capital grants	3 378 305	3 424 957
Amortisation of revenue grants	32 548 021	20 372 383
	<u>166 049 476</u>	<u>147 884 271</u>
Other operating income		
(Gain)/Loss on disposal of plant and equipment	940 230	(55 200)
Derecognition of capital grants on impairment of related assets	314 891	1 320 744
Rental income	1 256 485	853 799
Sundry income	1 793 110	434 505
Telephone recoveries	440	17 309
Tender fees	45 100	158 600
Training and resource centre income	912 289	647 220
	<u>5 262 545</u>	<u>3 376 977</u>
Operating expenses		
Advertising costs	(474 896)	(1 221 354)
Amortization of intangible assets	(614 860)	(493 028)
Annual license fee	(2 644 926)	(2 178 240)
Auditors' remuneration – current year	(389 170)	(361 644)
Bank charges	(365 230)	(189 273)
Board sitting allowance	(290 709)	(331 212)
Board meeting expenses	(167 296)	(958)
Business travel, accommodation and allowances	(1 359 550)	(667 376)
Computer expenses	(1 465 761)	(974 298)
Consultancy fees	(1 889 852)	(1 550 822)
Courier and postage	(271 138)	(294 562)
Depreciation of property, plant and equipment	(6 041 982)	(6 884 269)
Depreciation of right of use assets	(3 838 369)	(3 798 951)
Digital transformation solutions	(349 330)	-
Farm consumables	(1 943 695)	(2 275 374)
Increase/(Reversal) in expected credit loss	(498 654)	(194 072)
Impairment of property, plant and equipment	(216 720)	(860 001)
Insurance	(990 993)	(1 002 605)
Legal fees	(266 098)	(523 055)
Motor vehicle expenses	(954 889)	(519 669)
Office expenses	(1 432 026)	(1 243 470)
Operating lease rentals	(3 529 572)	(2 916 394)
Project expenses – Leather Park	(1 919 071)	(1 557 490)
Total carried forward	<u>(31 914 787)</u>	<u>(30 038 117)</u>

Detailed Income Statement *(continued)*

for the year ended 31 March 2022

In Pula

	2022	2021 Restated*
Total brought forward	(31 914 787)	(30 038 117)
Project expenses – Industry Support Facility	(30 628 950)	(18 513 547)
Promotion and publicity	(2 641 874)	(2 306 049)
Remuneration paid to senior management	(12 089 396)	(13 658 038)
Repairs and maintenance	(4 711 189)	(2 998 157)
Research costs	(413 261)	(72 957)
Security expenses	(4 607 350)	(4 254 343)
Seminars, retreat and conference costs	(508 924)	(496 797)
SMME conference and fair – current year	(61 683)	(76 012)
Staff costs– Salaries and wages	(52 936 996)	(48 336 984)
Staff training and recruitment	(736 419)	(1 561 580)
Staff welfare	(3 728 363)	(2 350 944)
Stakeholder management	(128 651)	(31 439)
Stationery and printing	(1 344 611)	(1 181 581)
Subscriptions	(205 782)	(300 184)
Telephone, mobile and fax	(4 158 707)	(4 167 848)
Write off of receivables	-	(72 312)
Training and mentoring costs	(1 584 095)	(1 767 367)
	<u>(152 401 038)</u>	<u>(132 184 256)</u>
Operating surplus for the year	<u>18 910 983</u>	<u>19 076 992</u>

* The comparative information is restated on account of correction of errors. Refer to Note 17 for details.

This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 83 to 86.

