LEA
LOCAL ENTERPRISE AUTHORITY

Annual Report
2022/2023

Supporting Progressive Businesses to Improve Growth

LOCAL ENTERPRISE AUTHORITY

Supporting Progressive Businesses to Improve Growth

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GLOSSARY OF TERMS

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

d. Identifying SMME firms with export potential and assist them to enhance their productivity and competitiveness for export markets,

e. Promoting business linkages between SMMEs and big industries, including the purchasing of locally produced goods and services by larger firms,

f. Facilitating access to information on support services and sourcing of raw materials by SMMEs through publicity, outreach and information technology,

g. Working with relevant institutions to develop and implement appropriate product and service standards, and to enhance both quality awareness and improvement of SMME products and services through training and advisory services that lead to certification of these products and services,

h. Monitoring and evaluating the impact of functions set out under paragraphs (a) to (h) and provide mentoring services 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,

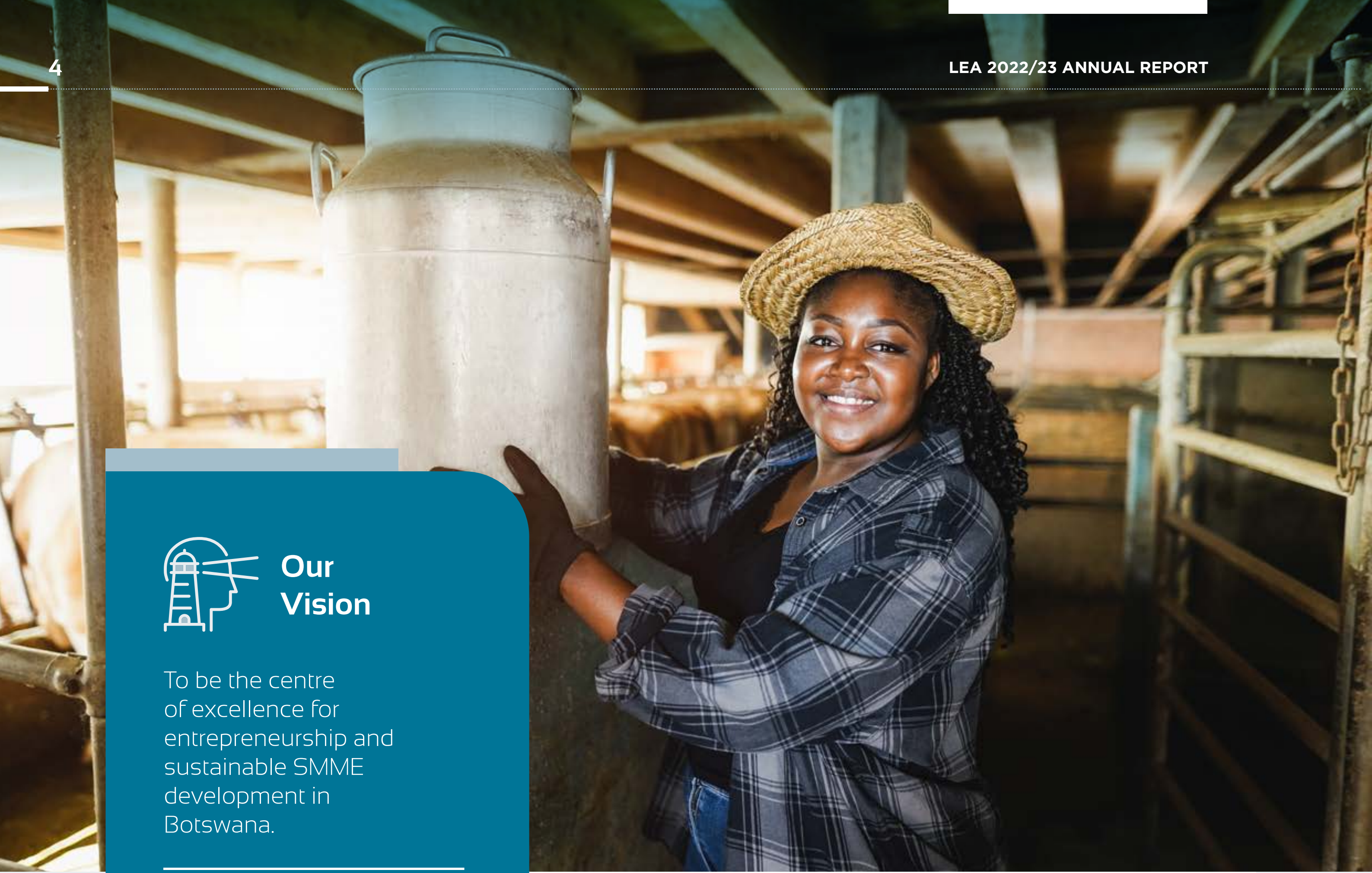
k. Making recommendations to the Minister on ways to simplify regulations which impose a burden on SMMEs in terms of compliance, time, effort, and money,

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 such as factory shells and working spaces, including serviced land and utility services for SMMEs, in conjunction with Local Authorities, Parastatal organisations, the Private sector and the Government.

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



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."

Branch Network

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, that 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, subsidised business operational space, business and technical skills acquisitions and technology support to accelerate growth of the incubated enterprises.

The LEA Incubators:

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

OUR VALUES

Self-Driven

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

Partnership

Through our internal teamwork and effective partnership with stakeholders, our efforts are synergised 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.

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BOARD AND GOVERNANCE

LEA BOARD

The LEA Board consists of ten members who are responsible for directing the affairs of the Authority on various matters as specified in the Small Business Act of 2004 and the LEA Board Charter. The Members are appointed by the Ministry of Entrepreneurship 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 the LEA Board.

Ethical Culture

The LEA Board observes a Code of Ethics and enforces the application of good ethical behaviour 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 LEA to promote a 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 organisation, and the HR policy is accessible to all staff members. With regards to the 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 functions of the Authority and sets direction for good governance in implementing change and allocation of resources within the Authority.

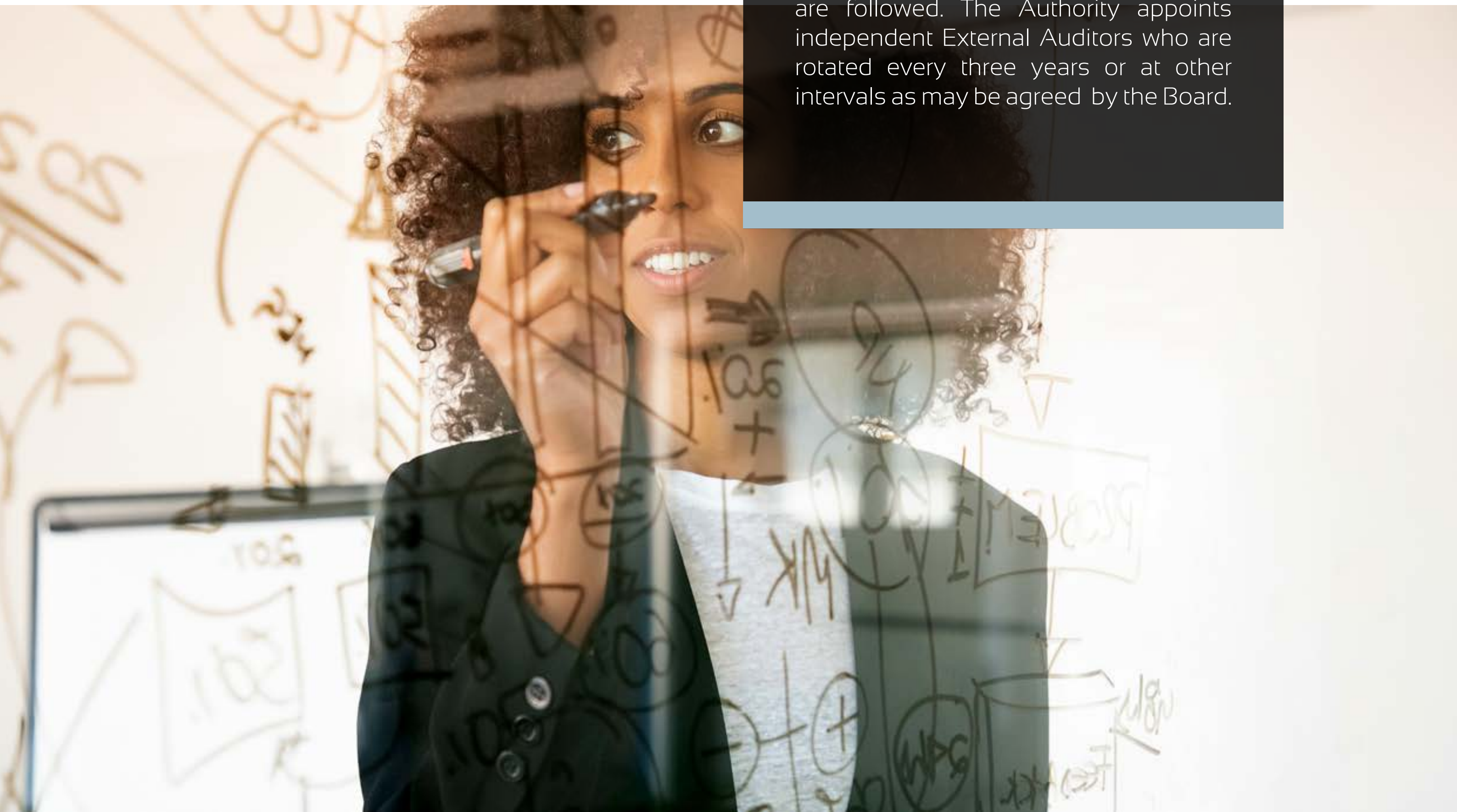
Through this, the Authority has a five-year Strategy in place which is reviewed on a yearly basis. The current Strategic Plan is from a period of the year 2018 to the year 2023.

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 its 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 towards action(s) 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 by the Board.



LEA BOARD COMMITTEES

The LEA Board consists of four Board 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, 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 LEA and ensuring of appropriate Human Resource Policies and Strategies.
- Ensuring that LEA keeps abreast of developments in the labour market and that the Authority adopts suitable best practices in Human Resource Management.

RISK MANAGEMENT

Risk management plays a very crucial role in all operations of the Local Enterprise Authority (LEA), and effective risk management is enforced by ensuring compliance with internal policies and procedures, applicable laws, contractual obligations, and stakeholder covenants which ensures that risk exposures are adequately managed. Executive Management continually monitor and assess high risk areas and develop strategies and action plans to reduce overall risk exposures. The Board of Directors and through the Finance and Audit Committee (FAC) provide risk management oversight.

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 actions are 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.

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 Whistleblowing Policy and an independent whistle-blowing service through which wrongdoing may anonymously be reported.

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).

REPORT FRAUD, THEFT AND DISHONEST BEHAVIOUR.

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Landline: 0800600644
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Email: lea@bw.tip-offs.com
Free Post: P O Box 448, Gaborone, Botswana

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BOARD COMPOSITION FOR THE 2022-23 FINANCIAL YEAR

BOARD OF DIRECTORS

Ms. Lorato Ntakhwana
Board Chairperson

Mr. Lebogang Matale
Board Member

Ms. Bonolo Champane
Board Member

Mr. Keoagile Caster Mothibedi
Board Member

Ms. Kathleen Molaodi
Board Member

Ms. Michelle Gebrial
Board Member

Mr. Chilipi Mogasha
Board Member

Mr. Dumi Lopang
Board Member

Mr. Mokgethi Nyatseng
Board Member

Ms. Boitumelo Gofhamodimo
Board Member

Ms. Moipedi Nkoane
Board Member

Ms. Omphemetse Chimbombi
Board Member

Ms. Patience Motswagole
Board Member

BOARD CHAIRPERSON'S *Statement*

This reporting financial year marks the final year of implementation of the Local Enterprise Authority (LEA) 2018- 2023 Transformative strategy, whose intent was to create a pool of innovative, sustainable, and competitive SMEs that contribute to economic growth and job creation. I am therefore delighted to present to you, on behalf of the Board of Directors of LEA, the annual report for the year 2022- 23, in accordance with Section 26 of the Small Business Act No 16 of 2008.

Enterprises Turnover
P198.7B
208% ↑

Jobs Created
854
Increase 113%

SMME Graduations
25

The five year strategy initiatives anchored on national priority areas being wealth creation for Batswana, diversification of the economy, reduction of the import bill, and job creation. Emphasis for the Authority remains to provide tailormade business support services that empower SMEs to mature and realise export capacity. This report, therefore, highlights the Authority's strategic achievements and the Audited Financial Statements.

CORPORATE STRATEGY AND PERFORMANCE

Other developments in the economy include the liberalization of the interest rates which was announced by Bank of Botswana in February 2023. This means that effective April 2023, commercial banks are free to set their own interest rates, and this is expected to facilitate market competition and fair pricing of credit and other lending instruments. Conditions shows a robust and resilient banking industry with bank credit driven by businesses as opposed to households. In March 2023, the Botswana Government ratified the African Continental Free Trade Agreement (AfCFTA) which opens a P1.4billion market for Botswana products and services. The government is currently developing a strategy to leverage the benefits to be accrued under the AfCFTA. The Ministry of Trade has released a list of products and services that are prioritised for trade under the AfCFTA and the specific countries for potential exports.

The Authority through its market access aims to capacitate its SMME portfolio to benefit fully from this development.

As a result of the Authority's resolute business development and support services, LEA during the year 2022-23 developed 25 clients to large enterprises. 44% are in the Services sector while Manufacturing and Tourism are at 28% each. Currently there are no Agricultural enterprises that have graduated from SMME's to large enterprise category. Fourteen (14) of these 25 enterprises graduated while eleven (11) are still within LEA active portfolio. Through LEA interventions these enterprises increased jobs from 401 to 854 translating to 113% increase and turnover from P64,472,475.04 to P198,708,284.66 representing a 208% increase.

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 slow post COVID 19 economic recovery.

AUDITED FINANCIAL STATEMENTS

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 staff shortages because of the recruitment freeze affected the organisation's ability to undertake some of the planned initiatives during the year.

CONCLUSION

On behalf of the LEA Board, Management and Staff, I extend gratitude to the Government of Botswana through the Ministry of Entrepreneurship for their steadfast support to the Authority and the continued advocacy for SMME development.

I am grateful to all LEA stakeholders, whose support augments the delivery of the LEA mandate, and solidifies the value of SMME sector to the growth of the Botswana economy. The Authority remains open to forging strategic collaborations that have potential to galvanise and catalyse SMME performance.

The LEA Board of Directors remains resolute in discharging its role of guiding the Authority to transform the SMME sector to grow its contribution to Botswana's economy. Our stance to promote and press for policy reforms and enhanced business environment that protects the SMME sector and further propels its growth and contribution to the economy remains solid.

I extend gratitude to LEA leadership, and in a profound gesture, I would like to thank their team for their dedication towards SMME development despite challenges I have alluded to. Lastly I would like to commend all SMMEs and aspiring entrepreneurs for acceding to the call to create jobs, cultivate economic activity countrywide, ultimately adding to Botswana's economic growth.

Ms. Lorato Boakgomo - Ntakhwana
LEA Board Chairperson

LEA
LOCAL ENTERPRISE AUTHORITY

Supporting Progressive Businesses to Improve Growth

EXECUTIVE MANAGEMENT

Mr. Godfrey Molefe
Chief Executive Officer (A)

Mr. Onkabetse Moatlhodi
Chief Digital Officer

Mr. Fana Mothusi Kelebogile
Chief Operations Officer (A)

Ms. Sesebo Dintwe
Chief Finance Officer (A)

Mr. Monyadiwa Masilo
Head, Sector Innovation

Ms. Shatho Orapeleng
Head, Market Access

Mr. Oreneile Padipadi
Head, Corporate Affairs

Ms. Boikhutso Kgomanyane
Head, Channel Network-South

Mr. Momapti Baiphethi
Head, Capability Development

Ms. Dynah Solani
Head, Information & Knowledge

Ms. Tshepang Thapa
Head, Human Capital

Ms. Tshepo Gasenna
Manager, Risk

Ms. Boitsheko Ntshingane
Legal Advisor

CHIEF EXECUTIVE OFFICER'S *Statement*

I am delighted to present the Local Enterprise Authority's business performance, highlighting notable achievements and strategic deliverables as well as the Audited Financial Statements for the year 2022-23 which marks the final year of the five (5) year (2019-2023) strategy.

The report also reflects highlights of the five year strategic plan whose focus was to transform the LEA to be the hub for entrepreneurship and enterprise development. The Strategy focused on the following themes:

Business Model and Operating Model Transformation, SMME Development and Stakeholder Engagement and Partnerships.

SMME Turnover

P1.48B ↑86%

Jobs Created & Sustained

4809 ↑49% New

SMME Survival Rate

90%

ORGANISATIONAL PERFORMANCE

PORTFOLIO STATUS

The March 2023 portfolio performance shows a record of 1500 SMMEs, constituted by 293 small medium enterprises (SMEs) with majority being micro enterprises at 1207.

At the beginning of the five-year strategy, there were 38 competitive sustainable SMEs recorded, 171 during the year 2021, and 316 in 2022. For the strategic period of 2019 to 2023 the target for competitive and sustainable SMMEs was 200 and the Authority exceed the target by 49% closing off March 2023 at 293 competitive and sustainable SMMEs.

SMME Category	Annual Turnover (BWP)	Number of employees
Micro	Less than 200,000	Less than 6
Small	200,000 to 5,000,000	6 to 25
Medium	5,000,000 to 15,000,000	26 to 100
Large	More than 15,000,000	More than 100

Table 1: SMME Classification

SMMES SURVIVAL RATE

In executing its mandate of promoting entrepreneurship and ensuring enterprise development, the Authority offers SMMEs interventions to ensure their survival at every stage of the business cycle. Despite COVID 19 economic shocks that impaired other SMMEs performance indicators, survival rate of enterprises under LEA portfolio was maintained above 80% during the recovery period (2021-2023) because of Government's economic recovery schemes and LEA interventions.

In 2019, SMMEs survival rate was recorded at 42% and increased over the years to the highest record of 92% in 2022 and dipped slightly to 90% during the reporting year as depicted on the below chart.

% SURVIVAL RATE OF SMMES

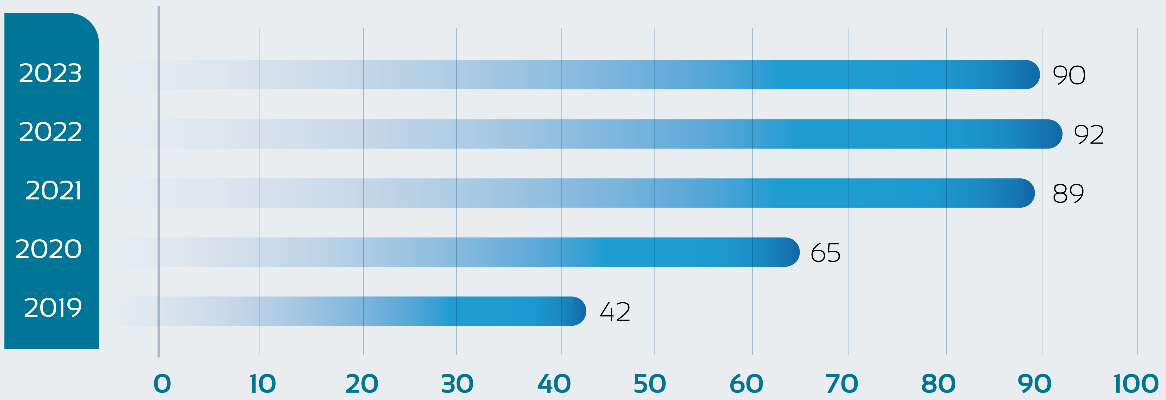


Chart 2: SMME survival rate (2019-2023)

SMME JOBS SUSTAINED & CREATED

	2019	2020	2021	2022	2023
SMME Jobs Sustained and Created	1023	1882	1438	1638	4809

Table 2: SMME Jobs sustained & created

A key performance indicator for a healthy SMME sector is jobs sustained and jobs created, hence interventions offered enterprises are geared to ensure that these enterprises run optimally to ensure portfolio transition thereby expanding, growing business and employment (jobs).

In 2019 jobs created and sustained by SMMEs stood at 1023, 1882 in 2020, 1438 in 2021, 1368 in 2022. During the reporting period, total jobs recorded by 1500 SMMEs stood at 9892 with 4809 being jobs that existing SMMEs on the portfolio sustained, 3878 were inherited from new recruits while 1205 were new jobs that existing and new SMMEs created during the reporting period.

9892 SMME JOBS - MARCH 2023

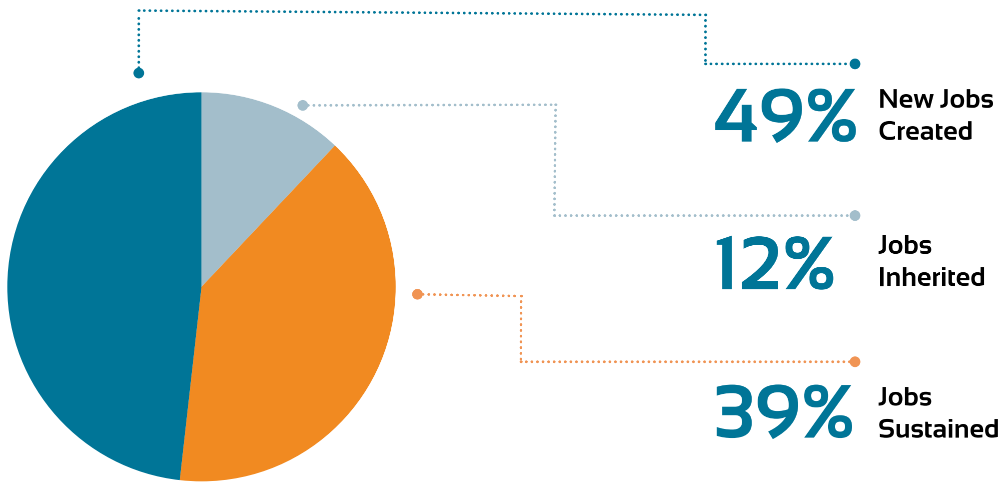
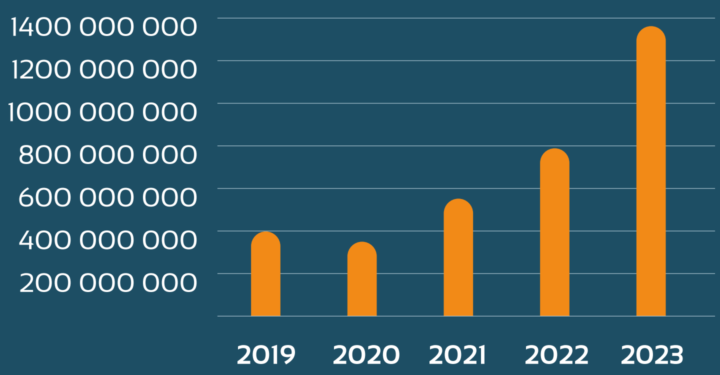


Chart 3: SMME Jobs in March 2023

SMME TURNOVER (BWP)



During the year under review, total SMME turnover reached P1.4B exceeding previous year's performance by 86%. Over the five-year strategy period, the turnover increased exponentially by 378% from P292M to P1.4B. This is in correlation to the growth in SMME portfolio from 394 enterprises in 2019 to 1500 enterprises in 2023.

Chart 4: SMME Turnover (2019- 2023)

VALUE OF MARKET LINKAGES

In year 2020, the Authority introduced a performance indicator for a critical service offered to the SMME sector, that is, securing market linkages for the SMMEs. During that year, the value of market linkages was P19.2M and leaped to P95.3M the following year recording a 395% increase in value. In 2022, the value increased by 45%.

During the reporting period, value of market linkages increased by 204% to P419M compared to P138M the previous year as shown in the chart below.

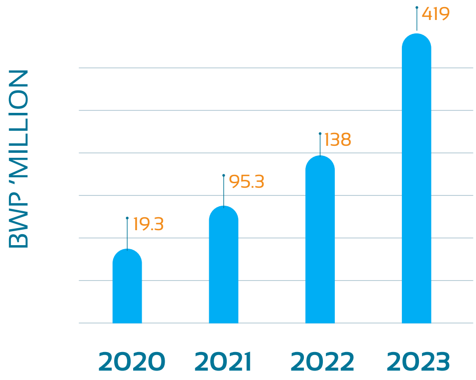


Chart 5: Market Linkages (2019- 2023)

VALUE OF IMPORT SUBSTITUTION BY SMMES

The Authority's strategic initiatives are aligned to the Government of Botswana national agenda issues such as reduction of the import bill and job creation. In response to Government efforts to reduce the import bill where several import restrictions were instituted, LEA positioned itself to help SMME benefit from these advances by capacitating them with interventions that enabled them to acquire the requisite certification/standards to satisfy the resultant market opportunity.

Over the five-year strategic period, LEA capacitated SMMEs to fulfil the market needs for bottled water (specifically still water), baked goods and medical PPE. The Authority continues to capacitate SMMEs to satisfy the local demand for horticulture products. To bridge the gap in Uniform and PPE supply, LEA is setting up a Textile Incubator in Bokaa where SMMEs will be capacitated using the latest fashion & textiles equipment.

In 2020 import substitution value by SMMEs stood at P21.3M and shot to P105.7M and P236M in 2021 and 2022 respectively. In March 2023, the value of import substitution by SMMEs closed at P488M.

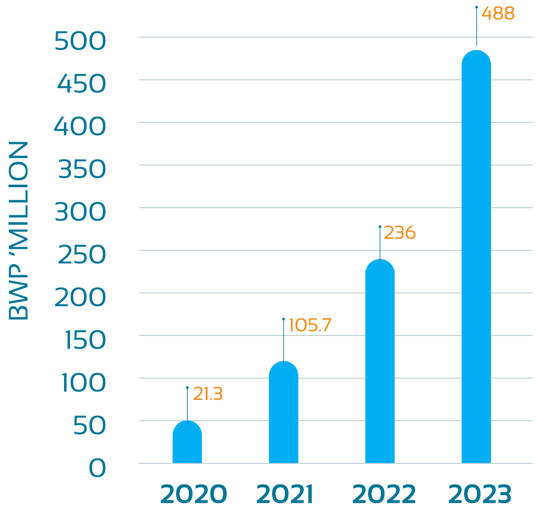


Chart 6: Import substitution value (2020- 2023)

Graduated SMMEs

From 2019 to 2023, a total of 130 SMMEs graduated from LEA active portfolio. In 2019 a total of 32 SMMEs graduated and the number continued to plunge to 16 in 2023 due to effects of COVID 19 which impacted growth and or expansion plans of majority of businesses. A total of 25 SMMEs graduated in 2020, 24 in 2021 and 31 in 2022.

LEATHER PARK

Development of the Leather Industry Park in Lobatse (Phase I) with a Tannery (Raw to Tannage); Pilot Plant (all species); Effluent Pre-Treatment; Solid Waste Plants and Ancillary Buildings is ongoing. The project is intended to achieve the following; resuscitation of the Leather Industry in Botswana, development of the Leather Value Chain and reduction of importation of leather and leather products.

Main accomplishments so far include successful migration of site from Tsinai Farm to Spitzkop (SEZA) and rescoping of the project in line with the change of location. A consultant for ancillary services (Access Road; Clearance & De-bushing) has been appointed with tenders for De-bushing & Clearance awarded. The Authority has signed Technical Memorandum of Understanding with Water Utilities Corporation for a Design & Build for the main technical plants.

- Provisional Approval for EMP by DEA in March 2023
- Development of Design and Build ITT for the LIP Project
- 60% Completion of Debushing and Clearing of LIP Plot
- Prepared EoI for Phase 2 & 3 (Finishing & Leather Products) of the LIP

CHALLENGES

As the Botswana Government continues to maximise rationalisation of declining resources, funding state owned enterprises has also declined resulting in declining subvention allocated to the Authority.

- Uncoordinated delivery on SMME Development (CEDA , BIH , BDC, Debswana)
- Key Corporate Governance issues.
- The Authority continues to grapple with staff shortage following recruitment freeze and exit of some key personnel during the reporting period with the following positions being vacant, Chief executive Officer, Chief Operations Officer, Project Manager, Internal Auditor.

FINANCIAL STATEMENTS

The financial year 2022/23, like prior years was a challenging period with respect to financial resources. The revenue grant originally approved was P126mil, with a capital grant of P20mil for projects. The revenue grant was cut by 5% (P6M), during the year to finance other priority areas of the government. In comparison to financial year 2021/22, revenue grant in financial year 2022/23 reduced by 7% (P9.7M), despite the increase in expenditure due to inflation and increase in staff costs.

Nonetheless, the Authority continued to exercise prudent management on the tight budget to successfully execute its mandate, despite recording a deficit at the end of the financial year.

- **% 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

Despite the economic challenges that impacted the country's performance, that of SMMEs, and added challenges faced by the Authority, LEA managed to ride the tide and achieve majority of its strategic intents. The success in organisational performance for the year under review and preceding years is a result of collective effort by collaborators, 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 Entrepreneurship, for the support they continue to provide LEA on behalf of the Government of Botswana. The organisation has over the years been able to pioneer the entrepreneurship and SMME development agenda in Botswana, made possible by sound and good relations with Ministry of Entrepreneurship.

The LEA Board of Directors is highly appreciated for overseeing operations and providing strategic guidance to further improve and realise 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.

Godfrey Molefe
Chief Executive Officer (Acting)

03

DEVELOPMENT OF INNOVATIVE, COMPETITIVE & SUSTAINABLE SMMES


ONE-STEP SOLUTION TO HELP YOU START, GROW OR TRANSFORM YOUR BUSINESS:
Business Plan Development
Business Advisory
Training
Market Access
Mentoring
Business Incubation
Technology and Innovation Support

DEVELOPMENT OF COMPETITIVE & SUSTAINABLE SMME SECTOR

In 2023, 279 interventions were completed with ICT and Product testing contributing the largest proportion at 176 and 69, respectively followed by Website Development which acts primarily as a marketing and trading platform for the enterprise– mainly integrated to include other ICT solutions such as OTA, PMS, POS, Online booking and payment systems, QR codes, etc. Product testing improves marketability as it defines the safety and quality of SMME products. Certification is offered based on the strength of a secured market while management systems range from basic management policies and processes through business model re-engineering for better.

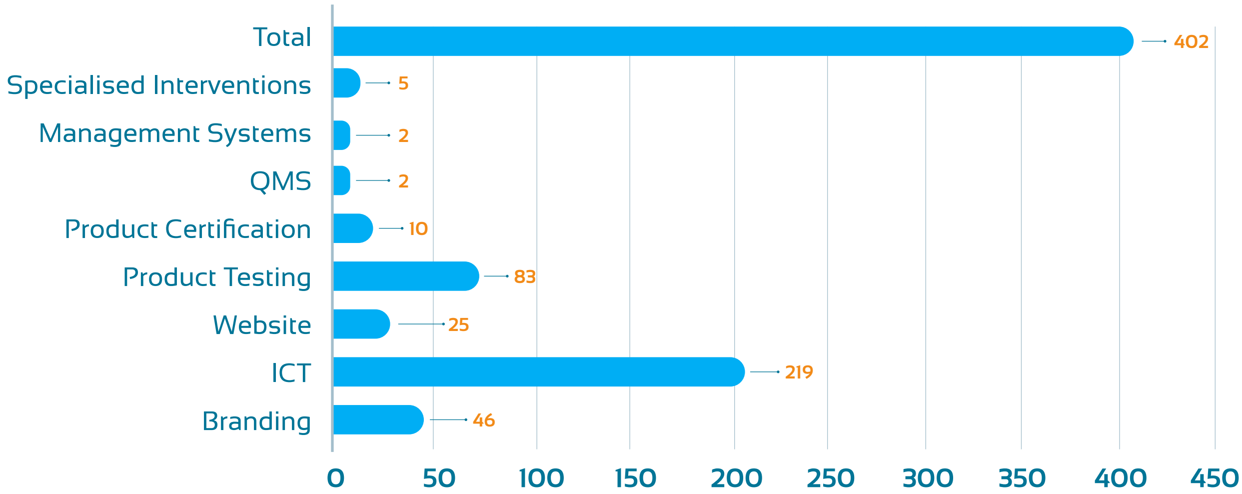


Chart 16: Advanced Interventions Delivery- 2023

In terms of segment, growers continue to occupy the largest share (83%) of advanced interventions, which is reflective of LEA portfolio, consequently more sophisticated and/or specialized interventions. Manufacturing takes up the largest portion (54%) of interventions, followed by Tourism (29%), then Agric (10%) and finally Services (7%).

INCUBATION

The LEA incubation program remains a pivotal anchor SMME acceleration intervention. During the year under review, 207 jobs were created/sustained by x SMMEs within the LEA incubators.

The Manufacturing sector leads in job creation at 89%, followed by Services at 6% and Agriculture at 3%. Almost a similar trend is observed in turnover contribution where Manufacturing leads at 98,5%, followed by Services at 1% and Agriculture at 0,5%

Growers contributed 36% of the jobs while Developers contributed 32%, followed by Block Busters at 15% and micro starters at 14%. Segment contribution to turnover is led by block busters at 83%, followed by Growers at 12%, Developers at 3% and micro starters at 2%.

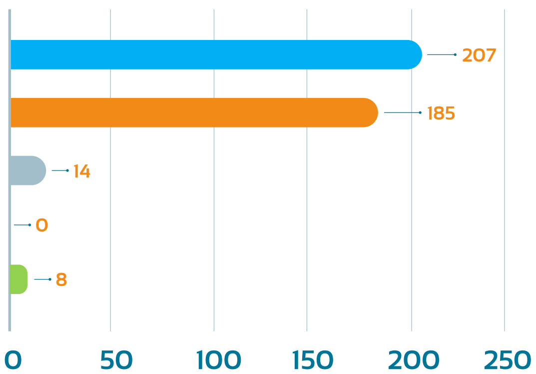


Chart 17: Jobs by sector- 2023

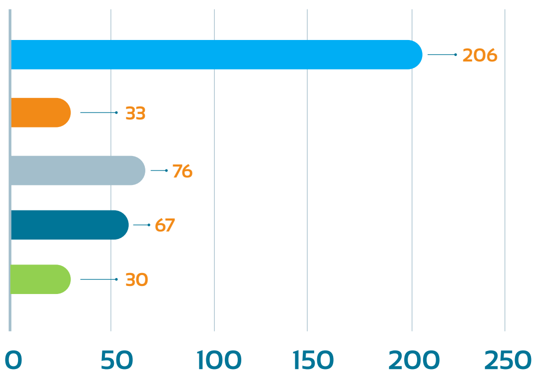


Chart 18: Jobs by segment- 2023

INCUBATION (CONT.)

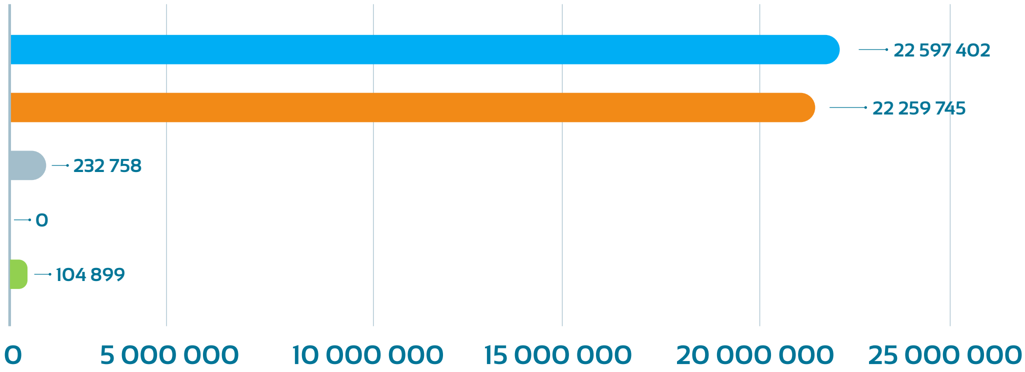


Chart 19: Turnover by sector- 2023

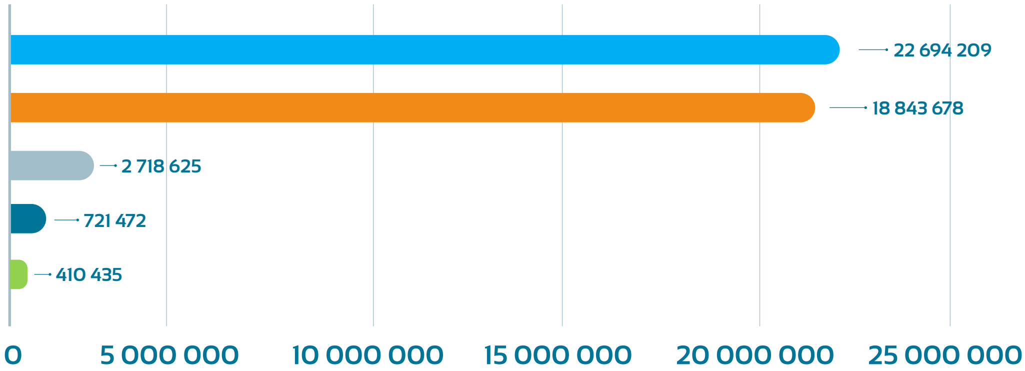


Chart 19: Turnover by segment- 2023

LEA INCUBATORS

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.

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.

FRANCISTOWN INDUSTRIAL BUSINESS INCUBATOR

The Incubator is a light manufacturing industry and services businesses through provision of business and technical interventions. 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.

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.

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.

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.

BUSINESS PLAN FACILITATION

A total of 3604 business plans were processed between 2019 and 2023 and 61% of the proposals were approved for funding at total value of P407 Million.

BUSINESS PLAN FACILITATION 2019 - 2023

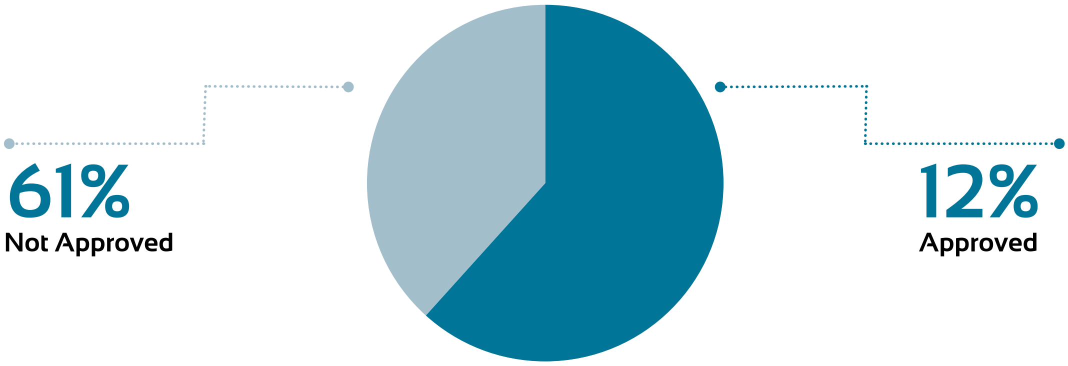
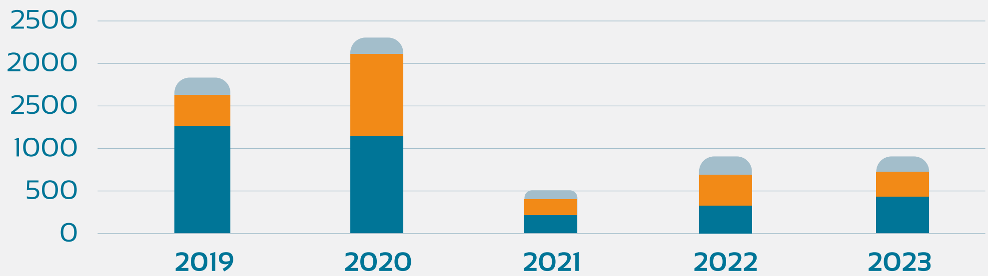


Chart 7: Business Plan Approval rate (2019- 2023)

BUSINESS PLAN FACILITATION



	2019	2020	2021	2022	2023
Value (BWP Million)	67	124	66.8	83.2	66
Approved	452	924	140	374	326
Submitted	1254	1200	300	400	450

Chart 8: Processed Business Plans (2019- 2023)

In 2019, the approval rate stood at 36%, 77% in 2020, 47% in 2021, and exceptional 94% in 2022 and 72% during the reporting period.

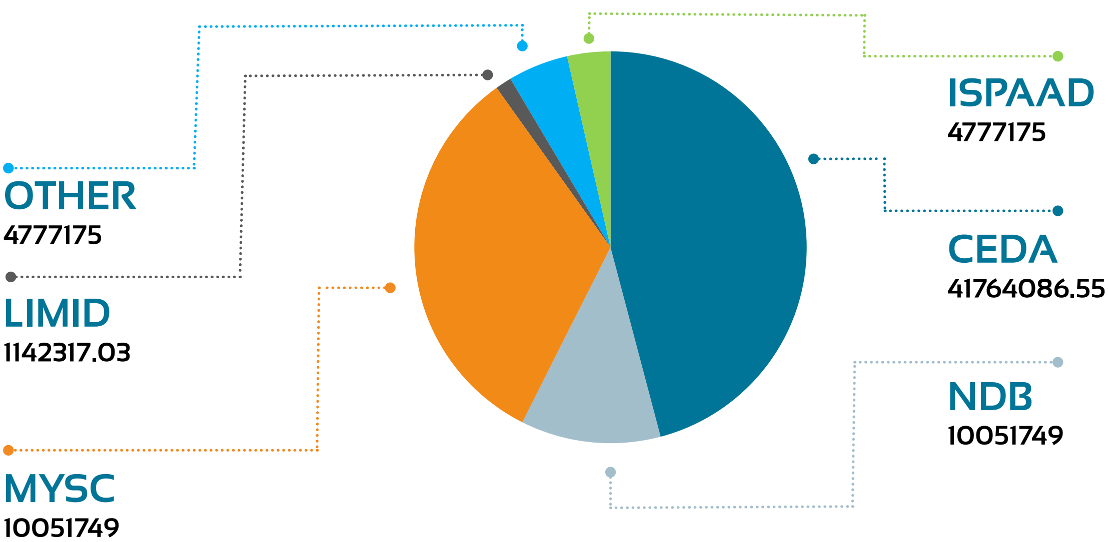


Chart 9: Funding by institution (2023)

BUSINESS PLAN FACILITATION 2019 - 2023 (CONT.)

During the reporting period, CEDA funded 46% of the approved loans total value, followed by MYSC at 33%, NDB at 11% while the remaining 10% were funded by LIMID, ISPAAD and other institutions. Agriculture sector represents 55% of the approved loans value, followed by services at 24%, Manufacturing at 16% while tourism was the least funded in value at 5%. Startups represent a staggering 90% of the number of business plans developed during the reporting period reflecting the dire need for funding for startups and incidentally reflect a large share even in value of business plans developed.

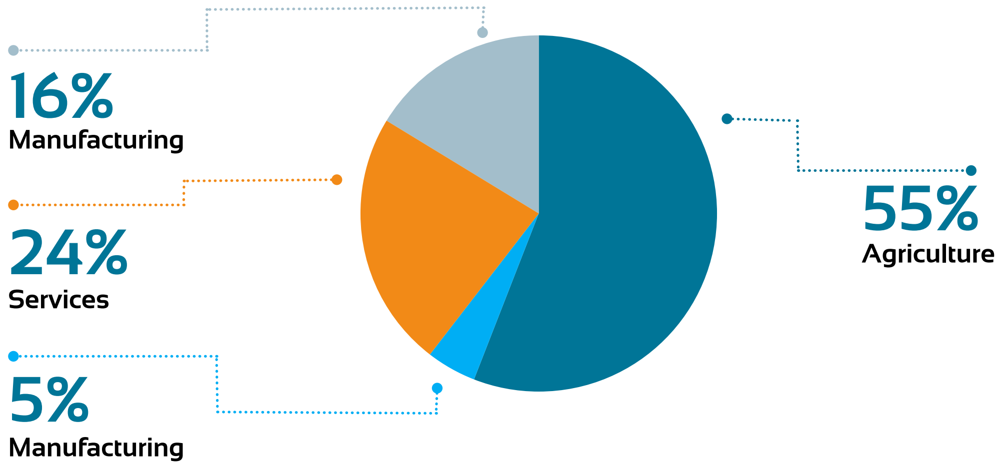


Chart 10: Funding by Sector (2023

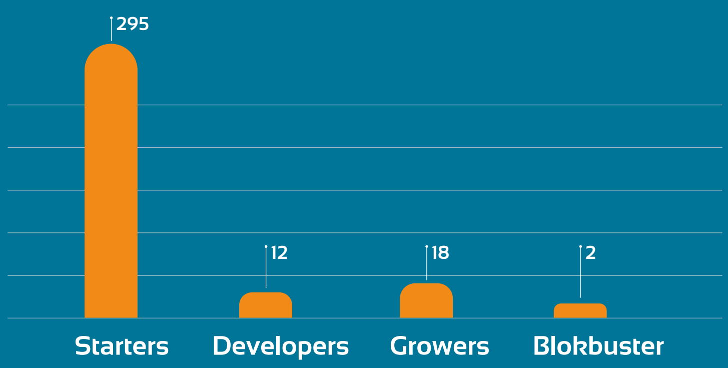


Chart 11: # of business plans by segment (2023)

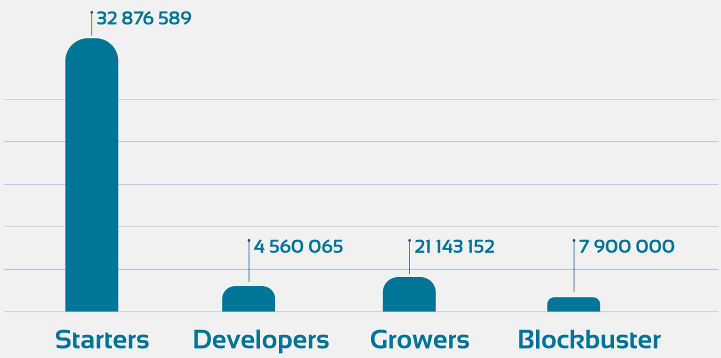


Chart 12: Value of business plans by segment (2023)

TRAINING

Training continues to be a critical offering to entrepreneurs and enterprises for capability development. The Authority for the year under review trained 2519 entrepreneurs comprising both LEA and non-LEA clients. Majority of the trained entrepreneurs represent pre- startups at 60%. For existing businesses, over 50% of the trained enterprises are those of micros.

The five-year training analysis reflects a dip during 2020 due to the COVID pandemic. Pre COVID, the Authority offered its training courses physically and later introduced virtual training during the COVID era.

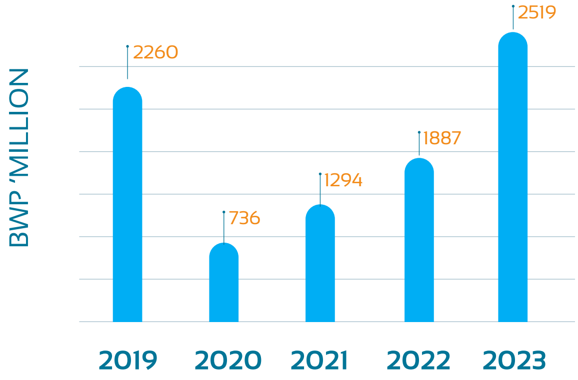


Chart 13: Training (2019 - 2023)

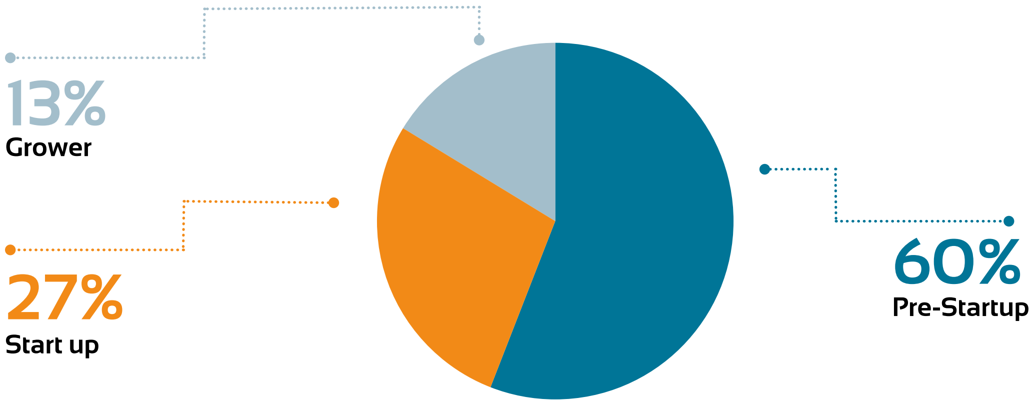


Chart 14: Training by business development stage- 2023

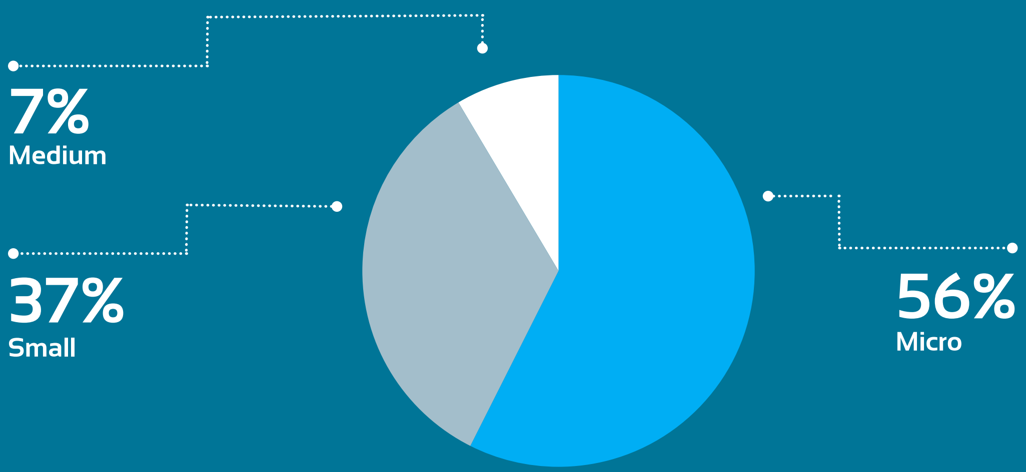


Chart 15: Training by business size- 2023

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 2022-23 period: refurbishment of infrastructure; Installation of drip irrigation system and pumps for five (5) hectares open field; identification of farmers who are currently producing in this serviced horticultural land. This project was a response to an outcry for suitable productive land by the youth entrepreneurs who graduate from the LEA horticulture incubation programme. Work is in progress to identify more land that farmers can utilize to produce horticulture products which are currently imported in high volumes.

MADIKWE

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

The farmers were additionally assisted to develop cropping plans that are aligned to the needs of the market, and they were further linked through buyer seminars for them to discuss market requirements and establish supply relations with the buyers. Still during the year, the Madikwe farmers were trained on business management principles and courses on Records Keeping and Entrepreneurship Development, that equipped them with skills to manage their businesses efficiently

BORAVAST

The Authority has been working with the BORAVAST Trust based in Bokspits, to find ways of improving this community project and enhancing its growth and benefits to the communities of Bokspits, Rappelspan, Valhoek and Struizendam. The trust harvests and processes an invasive tree species popularly known as Sexanana (Prosopis Mesquite) into various products such as charcoal and livestock feed. During the 2022-23 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.

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 People First; 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.

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 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.

STAFF ESTABLISHMENT

The staff complement as of 31st March 2023 stood at 154 employees which includes temporary employees and interns against an establishment of 190.

GOVERNMENT INTERNSHIP PROGRAMME

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

DREAM FLAVOURS

The company started its operations in 2009. The company is situated at Bokaa Ward, Molepolole. We are a manufacturer of Dream Flavours products. “Dream Flavours” products are surely becoming one of the most well-known brand names among the hundreds of people in Botswana.

The brand “Dream Flavours” is definitely establishing itself in the category of food and beverage industry and can boost a product range from Yoghurts, Juices, and Ice Pops and Madila products. Today, our consumers not only value “Dream Flavours” for its authentic refreshing juice drinks products , but also for its mouthwatering quality yoghurt products with high visual appeal and exciting texture.

+267 592 0958

Dreamflavours.whiteangels

whiteangelsbw@yahoo.com

Plot 6959 Bokaa Ward, Molepolole

AO MELHOR TASTE

Ao Melhor Taste is a local marinade manufacturing company with one hundred percent Botswana DNA Shareholding.

At Ao Melhor we pride ourselves with our signature taste marinade sauces that come in 3 different flavors being PeriPeri, Barbeque and Lemon & herb to cater for different taste buds. We intend to be the producers of a premium marinade sauce to accompany Botswana's best rated beef Worldwide

Focusing on the producing tasty marinade for the market in Africa and world wide.

+267 72 899 999
@tatso marinade
sales@tatso.co.bw
@tatso marinade.bw

SHEROO BEVERAGES

Sheroo beverages is a locally produced 100% natural beverage made from pounded roots of Motlopi tree (Shepard Tree).The product is produced by a Kolonkwaneng based company called Dina Motlopi Beverages Pty Ltd. The beverage is caffeine free and is suitable for all ages. National Food Technology Research Centre (NFTRC) has already done research on Motlopi coffee and positively established its nutritional value and shelf life.

The research has established that 150g of Motlopi coffee contains 11.6 grams of protein, 23.5 grams of crude fibre, 56.8 grams carbohydrates, and 1199.8 grams of energy. The coffee has very low fat content of one gram and, moreover, it is caffeine free.

+267 73 493 214 | +267 72 981 940

DEVINE MORULA

Divine Morula is a female owned business, that at the start produced Morula Nut oil for its sister company Divine Scents, which manufactures a range of body products like Morula lip balm, body scrub, body lotion and butter and hair cream.

Morula fruit is very tasty, and loved by many and a lot of animals. Through all the oil processing we understood the high nutritional value of the fruit and focussed on utilizing the Morula Pulp. Every season, Divine Morula works with communities, collecting the abundant Morula and Mmilo fruits to stockpile the pulp. This allows us to constantly produce & supply our lovely indigenous flavours all year round.

Our Current Product Range:

• Morula and Mmilo Juice • Morula Concentrate • Morula Atchar
• Morula Jam

+267 310 5551 / +267 73 112 990
@refreshingdivinemorula
info@divinemorula.co.bw
@divinemorula

POWERED BY LEA

VILLAGE 100

Village 100 Pty (Ltd) is a horticultural enterprises producing high value crops in a controlled environment. Vegetable production plays a pivotal role in the human life on a daily basis as they do form a part of our staple diet. Fully committed to ensuring that our countries food security is met: It is imparative that we don’t compromise on the quality and freshness of our products.

We currently offer a gamut of fresh vegetables which includes Tomatoes, Sweet Peppers and Cucumbers.

+267 77 022 857

Pilane

kenalemangta@gmail.com

POWERED BY LEA

HYDRATE STILL WATER

Water practically is a holding substance of life, looking it in howsoever possible way and from any perspective of life, it is but a source of life and it is that much divinely'. This is how we become relevant as an entity; through Kapital Fonts (Pty) Ltd. Hydrate is a brand established in Botswana whose core business is the supply of water purification, its equipment for domestic and industrial use.

- Customized / personalized water branding and supply for social and corporate occasions.
- Purified water Refill points
- Advisory on harvesting and general water solutions, supply of water reserve equipment
- Sales, installation and maintenance of auxiliary filtration and purification systems.

06

+267 72 229 812
Hydrate Still Water
info@hydratestillwater.com

OODI SORGHUM MILLING

Oodi Sorghum Milling was incorporated on the 5th of February 1997. It is a 100% citizen owned company based in Oodi Village.

Our Product Range;

As our name entails, our main line of business is the manufacturing of sorghum meal. Aided with up-to-date manufacturing equipment, we ensure we deliver the best product available on the local market, surpassing even reputable brands imported into the country. Our fleet is more that adequate to meet our tight supply demands and schedules, ensuring we deliver on-time, every time.

+267 3102265 | 3102257 | 71606227

Plot 3099, Oodi

julia@it.bw

ORGANIC NATURALS SKINCARE

The solution was birthed from a need to solve a confidence problem all throughout my teen and early adult life, acne was a consistent pain. The pain could be alleviated by temporary dosages of oral acne treatment – but could still relapse. Later that year, I would stand on shopping store aisles in pursuit of a product that was manufactured with the understanding of my African Skin and African Climate.

The gap in the market made me realize that an African Story of skincare made in Botswana had to be told. Imagine the possibility of a potent skincare range that is specifically empowered by plants and backed by science- while empowering communities.

In Botswana, we are available in the following chain stores nationwide:

• Choppies Hyperstores • Health Alternatives • Mr Veg Stores
• Pulse Pharmacy • Health Hut • Chidzanani Pharmacy • TNT Pharmacy
• Serowe Pharmacy • Boiteko Pharmacy(Serowe) • Squaremart Stores

+267 77 878 171

organicnaturalskin@gmail.com

Organic Naturals Skincare

Organic Naturals Skincare

04

FINANCIAL STATEMENTS

for the year ended 31 March 2023

Contents **Page**

BOARD MEMBERS' REPORT
for the year ended 31 March 2023

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 2023.

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 51 to 88. The Authority generated a net deficit of P18 063 281 for the year ended 31 March 2023 (2022: P17 883 452).

Board members

Name	*Role*	*Appointment/ Retirement date*
Ms Lorato Boakgomo-Ntakhwana	Chairperson	Appointed 1st December 2020
Mr Chilipi Mogasha	Member	Appointed 1st August 2020
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
Mr. Keoagile Caster Mothibedi	Member	Appointed 1st March 2023
Mr. Lebogang Tips Matale	Member	Appointed 1st March 2023
Ms. Michelle Gebrial	Member	Appointed 1st March 2023
Ms Patience Motswagole	Member	Retired 30th April 2022
Mr Mokgethi Nyatseng	Member	Retired 31st May 2022
Mr Dumilano Lopang	Member	Retired 31st May 2022
Ms Omphemetse Chimbombi	Member	Retired 31st July 2022

Registered office

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

Secretary

Grant Thornton
Acumen Park Plot, 50370 Fairgrounds
Gaborone

Auditors

Baker Tilly Certified Auditors
Plot 64515, Kgwebo Fairgrounds
Fairgrounds, Gaborone

Bankers

Standard Chartered Bank Botswana Limited
First National Bank of Botswana Limited
First Capital Bank Limited
Bank Gaborone Botswana Limited
Access Bank Botswana Plc
ABSA Bank of Botswana Limited

BOARD MEMBERS' RESPONSIBILITY STATEMENT
for the year ended 31 March 2023

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 2023, 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 18 January 2024 and are signed on their behalf by:

Chairperson

Chief Executive Officer

bakertilly

Certified Auditors

Kgwebo @ Faigrounds,
Plot 64515, Fairgrounds,
Gaborone, Botswana
T: +267 3916650, +267 3916659

Plot 12684, Area A, Cnr. Botshelo drive
Mosalaesi Street, Francistown, Botswana
T: +267 2415298

info@bakertilly.co.bw
www.bakertilly.co.bw

Independent Auditor's Report

To the member of Local Enterprise Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Local Enterprise Authority ("the Authority"), set out on pages 6 - 47, which comprise the statement of financial position as at 31 March 2023 and the statement of surplus or deficit, statement of changes in funds and cash flow statement for the year ended 31March 2023, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly in all material respects the financial position of Local Enterprise Authority as of 31 March 2023 and of its financial performance and its cash flows for the year in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in 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) (Parts 1 and 3) (IESBA Code) and other independence requirements applicable to performing audits of Financial Statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. 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. Below, we describe the key audit matter identified and how our audit addressed the matter in our audit.

Key Audit Matter	How the matter was addressed in the audit
Property, plant, and equipment	
As at 31 March 2023, the carrying amount of property, plant and equipment (PPE) was P115.2 million (2022: P111 million). We considered the valuation and existence of property, plant, and equipment to be a key audit matter in respect of the financial statements due to the following: - as at 31 March 2023, the PPE comprised 55% of the total assets of the Authority; - the Authority heavily relies on the use of its PPE in discharging its mandate; - the majority of the assets of the Authority are received as grants and this poses an additional risk on the appropriate accounting on initial recognition; - a number of control deficiencies were identified in the prior year audit relating to PPE; and - the prior year financial statements were restated as a result of an error which was identified on the PPE.	To address the risk identified we performed amongst others, the following procedures: - Reviewed the prior year report to management and made specific follow ups on the items raised to confirm if these had been resolved; - We reviewed the asset register as part of our testing to evaluate the accuracy of the asset register; - We recomputed the depreciation of for the current year; - We physically verified a sample of the assets to confirm their existence and condition; - We reviewed the financial statements to confirm the adequacy and appropriateness of the disclosures relating to PPE As a result of our procedures we identified prior period errors and these have been detailed in Note 17 to the financial statements.

Other Matter

The financial statements of Local Enterprise Authority for the year ended 31 March 2022 were audited by another auditor who expressed an unmodified opinion.

Other information

The board members are responsible for the other information. The other information comprises the Board Members' Responsibilities and Approvals and the detailed income statement, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Board Members for the Financial Statements

The board members are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal controls as the board members determines, 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, management is 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 management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so. The board members are responsible for overseeing the Authority's financial reporting process.

Auditors' Responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 management.

- Conclude on the appropriateness of management's 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.

- Report 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the society to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Baker Tilly

Baker Tilly
Firm of Certified Auditors
Practicing Member: Samuel Njanji (CAP 0054 2024)

18 January 2024
Gaborone

STATEMENT OF SURPLUS OR DEFICIT INCOME

for the year ended 31 March 2023

In Pula

	Notes	2023	2022 Restated*
Government subvention	7	120 466 990	130 123 150
Government grants amortisation	9	8 061 801	35 926 326
Other operating income	18	3 657 951	5 262 545
		132 186 742	171 312 021
Operating expenses	18;17	(150 814 045)	(151 248 318)
Operating surplus / (Deficit)	1	(18 627 303)	20 063 703
Finance income	2	87 783	416 780
Finance expense	2;17	(1 485 273)	(1 549 891)
Net surplus / (Deficit) for the year		(20 024 792)	18 930 592

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

STATEMENT OF FINANCIAL POSITION
at 31 March 2023

In Pula

	Notes	2023	2022 Restated*	2021 Restated*
ASSETS				
Non-current assets				
Property, plant and equipment	4.1;17	115 208 367	111 867 050	107 867 661
Intangible assets	4.2	770 217	1 367 114	1 836 568
Right of use assets	5;17	17 955 245	20 747 555	23 044 328
		133 933 828	133 981 719	132 748 557
Current assets				
Trade and other receivables	6	6 471 232	4 867 989	4 033 391
Cash and cash equivalents	8	68 002 657	69 555 267	86 200 061
		74 473 889	74 423 256	90 233 452
Total assets		208 407 717	208 404 975	222 982 009
FUNDS AND LIABILITIES				
Funds				
Accumulated surplus		32 525 910	52 550 700	33 620 110
Non-current liabilities				
Deferred capital grants	9	77 360 772	80 710 869	83 479 334
Long-term portion of lease liability	10;17	20 153 696	20 741 546	22 788 247
		97 514 468	101 452 415	106 267 581
Current liabilities				
Short-term portion of deferred capital grants		3 372 521	3 378 305	4 259 018
Short-term portion of lease liability	10;17	1 790 427	3 600 108	2 960 534
Trade and other payables	11	28 358 287	17 872 571	13 731 851
Deferred revenue grants	9	44 846 104	29 550 875	62 142 915
		78 367 339	54 401 859	83 094 318
Total liabilities		175 881 807	155 854 274	189 361 899
Total equity and liabilities		208 407 717	208 404 974	222 982 009

*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 2023

In Pula

	Notes	Accumulated surplus/(deficit)
Balance at 1 April 2021 - as previously stated		28 704 108
Correction of prior period error adjustments	17	4 916 002
Balance at 1 April 2021 - Restated		33 620 110
Net surplus for the year*	SOCI	18 930 592
Balance at 31 March 2022 - Restated	17	52 550 702
Net deficit for the year		(20 024 792)
Balance at 31 March 2023		32 525 910

*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 2023

In Pula

	Notes	2023	2022 Restated*
OPERATING ACTIVITIES			
Net surplus / (Deficit)	1	(20 024 792)	18 930 592
Adjustment for:			
Depreciation of property, plant and equipment	4.1;17	7 594 115	4 859 231
Impairment of property, plant and equipment	4.1	-	216 720
Amortisation of intangible assets	4.2	660 225	614 860
Depreciation of right of use assets	5;17	4 105 717	3 868 402
Amortisation of grants	9	(8 061 801)	(35 926 326)
Adjustments		1 535	-
Finance income	2	(87 783)	(416 781)
Finance expense	2;17	1 485 273	1 549 891
Derecognition of capital grants on impairment of related assets	9	-	(314 891)
Loss / (profit) on disposal of property, plant and equipment		129 572	(914 615)
Operating surplus before changes in working		(14 197 940)	(7 532 917)
Capital			
Movement in trade and other receivables		(1 603 242)	(692 343)
Movement in trade and other payables		10 485 716	4 140 720
Net cash generated by operating activities		(5 315 466)	(4 084 540)
INVESTING ACTIVITIES			
Finance income received	2	87 783	416 781
Proceeds from disposal of property, plant and equipment		-	1 253 256
Acquisition of property, plant and equipment	4.1	(11 065 389)	(9 556 236)
Acquisition of intangible assets	4.2	(63 327)	(145 406)
Net cash used in investing activities		(11 040 932)	(8 031 606)
FINANCING ACTIVITIES			
Government grants received	9	20 000 000	-
Payment of lease liability	10	(5 196 211)	(4 528 647)
Repayment of principal		(3 710 938)	(2 992 738)
Interest paid		(1 485 273)	(1 535 909)
Net cash used in financing activities		14 803 789	(4 528 647)
Movement in cash and cash equivalents		(1 552 609)	(16 644 794)
Cash and cash equivalents at beginning of year	8	69 555 267	86 200 061
Cash and equivalents at end of year	8	68 002 658	69 555 267

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

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2023

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 18 January 2024.

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.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

Residual values, useful lives and depreciation methods of property, plant and equipment (continued)

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.

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 — 10 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 2023

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.

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.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

Financial instruments *(continued)*

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.

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.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
for the year ended 31 March 2023

Financial instruments *(continued)*

Impairment of financial assets

Non-derivative financial assets

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

Financial instruments *(continued)*

Impairment of financial assets (continued)

Measurement methods - Amortised cost and effective interest rate

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

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

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

Offset

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

Interest income

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

Non-financial assets impairment

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in profit or loss. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less 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.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

Financial instruments *(continued)*

Non-financial assets impairment (continued)

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.

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)

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

Subsequent measurement

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

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

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

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

Rental income

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

Government grants

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

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

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

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

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 2023

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).

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 2023 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)	1 January 2021	No material impact on financial statements
IFRS 16 amendment - Covid 19 related rent concessions	1 April 2021	No material impact on financial statements
IAS 41 Agriculture	1 January 2022	No material impact on financial statements
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022	No material impact on financial statements
Amendments regarding onerous contracts - IAS 37	1 January 2022	No material impact on financial statements
Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022	No material impact on financial statements

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

(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 2023 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.

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.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*
for the year ended 31 March 2023

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

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.

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.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

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

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.

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.
- 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 any a material impact on the Authority's financial statements.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

(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 2023

In Pula

1. Operating surplus

The operating deficit of P18 627 303 (2022: restated surplus of P20 063 703) is stated after taking into account the following:

	2023	2022
(Gain)/Loss on disposal of property, plant, and equipment	(32 164)	(940 230)
Rental income	(1 326 948)	(1 256 485)
Sundry income	(701 436)	(1 793 110)
Training and resource centre income	(1 591 735)	(912 289)
Bad debts charge	898 026	498 654
Auditors' remuneration - current year	637 935	389 170
Board sitting allowance	175 049	290 709
Amortization of intangible assets *(note 4)*	-	660 225
Depreciation of property, plant and equipment *(note 4;17)*	7 594 115	6 041 982
Depreciation of right of use assets *(note 5;17)*	4 105 717	3 838 369
Impairment of property, plant and equipment *(note 4)*	-	216 720
Insurance expenses	1 043 389	990 993
Legal fees	4 733 342	266 098
Operating expenses	4 721 286	3 529 572
Project expenses - "Industry Support Facility"	(1 908 104)	30 628 950
Project expenses - "Leather Park"	(2 781 177)	1 919 071
Remuneration to senior management	13 419 491	12 089 396
Repairs and maintenance costs	5 769 348	4 711 189
Security expenses	4 856 812	4 607 350
Staff costs - salaries and wages	57 628 025	52 936 996

2. Finance income and expense

	2023	2022
Finance income		
Net foreign exchange (loss)/gain	17 377	(589)
Interest received on bank deposits	70 406	379 473
Interest income accrued		37 897
	87 783	416 781
Finance expense		
Interest on lease liabilities (*note 10;17*)	(1 485 273)	(1 549 891)

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 2023

In Pula

4.1 Property, plant and equipment

2023	*Notes*	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											
Restated* at - 1 April 2022		5 120 673	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
Additions		3 574 859	1 063 947	308 250	940 748	557 097	634 964	3 074 424	911 099	-	11 065 389
Transfers		(6 561 520)	5 063 707	-	1 497 813	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-		-	-
Disposal		-	-	(5 950 016)	-	-	-	(501 507)	-	-	(6 451 524)
Closing balance - 31 March 2023		**2 134 011**	**124 770 970**	**11 727 855**	**11 121 646**	**6 985 685**	**6 006 579**	**20 620 336**	**8 804 879**	**381 068**	**192 553 031**
Accumulated Depreciation & impairment											
Restated* at - 1 April 2022		-	28 564 008	13 926 828	5 034 708	4 542 737	4 578 047	13 237 602	5 826 760	361 424	76 072 115
Charge for the year		-	3 277 952	637 024	464 740	468 634	471 149	845 074	2 087 530	2 237	8 254 340
Disposals		-	-	(5 950 016)	-	-	-	(1 031 881)	-	-	(6 981 897)
Impairment											
Closing balance - 31 March 2023		**-**	**31 841 961**	**8 613 836**	**5 499 448**	**5 011 371**	**5 049 196**	**13 050 795**	**7 914 290**	**363 661**	**77 344 558**
Carrying amount Closing balance - 31 March 2023		**2 134 010**	**92 929 010**	**3 114 019**	**5 622 198**	**1 974 315**	**957 384**	**7 569 540**	**890 589**	**17 407**	**115 208 473**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

In Pula

4.1 Property, plant and equipment

2022 Restated*	*Notes*	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											
Restated* 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)
Restated* - 31 March 2022		**5 120 673**	**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 & and impairment											
Restated* at - 1 April 2022		-	26 238 224	13 360 469	4 757 636	4 222 786	4 330 073	17 168 722	5 119 771	356 250	75 553 931
Charge for the year		-	2 325 784	566 360	277 072	319 951	247 974	409 927	706 989	5 174	4 859 231
Disposal		-	-	-	-	-	-	(4 341 047)	-	-	(4 341 047)
Impairment											
Restated* - 31 March 2022		**-**	**28 564 008**	**13 926 828**	**5 034 708**	**4 542 737**	**4 578 047**	**13 237 602**	**5 826 760**	**361 424**	**76 072 115**
Carrying amount Restated* at - 31 March 2022		**5 120 673**	**90 079 308**	**3 442 793**	**3 648 377**	**1 885 851**	**793 568**	**4 809 817**	**2 067 020**	**19 644**	**111 867 051**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 March 2023

In Pula
4.1 Property, plant and equipment

2021 Restated*	*Notes*	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											
Previously stated 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)
Closing balance - 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 & and impairment											
Previously stated 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
Prior period error adjustments	*17*	-	(3 662 282)	(187 936)	-	-	-	-	-	-	(3 850 218)
Restated at - 1 April 2020		**-**	**23 891 547**	**12 886 580**	**4 897 946**	**3 861 218**	**4 200 026**	**16 808 454**	**4 474 937**	**353 655**	**71 374 363**
Charge for the year		-	2 346 677	473 889	1 341 754	361 568	164 272	360 268	650 495	2 595	5 701 518
Disposals		-	-	-	-	-	(34 225)	-	(5 661)	-	(39 886)
Impairment					(1 482 064)	-		-	-	-	(1 482 064)
Restated* at 31 March 2021		**-**	**26 238 224**	**13 360 469**	**4 757 636**	**4 222 786**	**4 330 073**	**17 168 722**	**5 119 771**	**356 250**	**75 553 931**
Carrying amount Restated* - 31 March 2021		**2 331 663**	**89 722 242**	**3 974 253**	**3 078 761**	**2 081 959**	**667 214**	**4 286 895**	**1 702 567**	**22 107**	**107 867 661**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

In Pula

4.1 Property, plant and equipment *(continued)*

	Useful life
Asset Class	**New policy**
· Plant and equipment	4 - 15 years
· Office equipment	5 - 10 years
· Motor vehicles	4 - 18 years
· Computer equipment	4 - 10 years

*** As part of the reconstruction of the fixed asset register, the Authority adjusted the cost and accumulated depreciation to reflect assets that were fully depreciated and already disposed of on the ground without corresponding entries being made in the general ledger. The table below indicates the asset classes including related amounts that have been disposed of.

Asset Class	Disposal Values		
	Cost	**Accumulated Depreciation**	**Carrying amount**
Leasehold Improvements	5 950 016	5 950 016	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

In Pula

4.2 Intangible assets

Intangible assets relate to the phased implementation of SAGE Enterprise Resource Planning (ERP) system. The work in progress relates to SAGE Customer Relationship Management (CRM) system which was in the user acceptance testing stage at year end. The following table shows the intangible assets movement from the prior year.

	Capital work in progress	Computer Software	Total
Cost			
At 1 April 2021	481,382	2,753,472	3,234,854
Additions	130,538	14,868	145,406
Transfers	(611,920)	611,920	-
As at 31 March 2022	0	**3,380,260**	**3,380,260**
Additions	-	63,327	63,327
Transfers	-	-	-
As at 31 March 2023	0	**3,443,587**	**3,443,587**
Accumulated amortization			
At 1 April 2021	-	1,398,285	1,398,285
Charge for the year	-	614,860	614,860
As at 31 March 2022	-	**2,013,145**	**2,013,145**
Charge for the year	-	660,225	660,225
As at 31 March 2023	-	**2,673,370**	**2,673,370**
Carrying amount 2023	0	**770,216**	**770,217**
Carrying amount 2022	-	**1,367,115**	**1,367,115**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

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 ranges between 2 and 99 years. The leases are subject to escalations between 5% and 10% on anniversary. In addition, the Authority has entered into property leases of its residential properties and agri-business land across Botswana. The leases are subject to an escalation rate of between 5% and 10% on anniversary. The leases are renewable on expiry. The right of use asset recognised in respect of these leases has been summarised below. Refer to note 10 for the related lease liability.

	2023	2022
Right-of-use assets	17 955 244	20 747 555
The right-of-use assets can be summarised as below:		
Balance at 1 April 2022	20 747 555	21 794 259
Prior period error	-	1 250 069
Restated balance at 1 April 2022	-	23 044 328
Additions during the year	-	1 571 629
Re-measurement of ROU asset due to VAT rate changes	1 313 407	1 571 629
Depreciation charge for the year	(4 105 717)	(3 868 402)
Balance at the end of the year	17 955 244	20 747 555

6. Trade and other receivables

	2023	2022
Trade receivables	1 969 394	1 192 976
Less: impairment allowances	(1 886 071)	(988 046)
	83 323	204 930
Deposits and prepayments	5 209 531	3 440 133
Sundry receivables	430 126	495 713
Salary advances	748 252	689 316
Accrued interest on deposits	-	37 897
	6 471 232	4 867 989

7. Related parties

Related party	**Relationship**
Government of Botswana	Parent
Board members	Key management
Executive management	Key management
Botswana Development Corporation (BDC)	Common shareholder

Income/(expense) transactions with related parties

	2023	2022
Government subvention	120 466 990	130 123 150
Industry Support Facility	-	-
Amortisation of capital grants	3 372 521	3 348 499
Amortisation of revenue grants	44 846 104	32 548 020
Transactions with Government of Botswana	168 685 615	166 019 669
Rental payments to BDC	(2 055 732)	(1 939 369)
Operating costs	(289 321)	(279 154)
Transactions with BDC	(2 345 053)	(2 218 523)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

In Pula

7. Related parties *(continued)*	**2023**	**2022**
Key management personnel remuneration		
Board allowances	(175 049)	(290 709)
Salaries and allowances	(10 017 305)	(8 981 427)
Chief Executive Officer	(2 661 784)	(1 625 934)
Post-employment benefits	(740 402)	(1 482 035)
	(13 594 540)	(12 380 105)

8. Cash and cash equivalents

Short term deposits - call account balances	35 449 741	30 400 562
Current account balances	32 541 895	39 146 920
Cash on hand	11 022	7 785
	68 002 657	69 555 266
Short term deposits and current account balances	67 991 635	69 547 482
Cash on hand	11 022	7 785
	68 002 657	69 555 266

9. Government grants

Deferred capital grants - utilised funds		
Balance at 1 April	84 089 174	87 738 352
Additions from Deferred capital grants - unutilised funds	15 490	44 018
Amortisation to surplus or deficit	(3 372 521)	(3 378 305)
Capitalisation to land and buildings capital grants	-	-
Disposal for the year	-	(314 891)
Impairment for the year	-	-
Balance at 31 March	80 732 143	84 089 174
At the reporting date the capital grants are analysed as follows:		
Short term portion	3 372 521	3 378 305
Long term portion	77 360 772	80 710 869
	80 733 293	84 089 174

9. Deferred capital grants - unutilised funds

Balance at 1 April	29 550 876	62 142 915
Grants received	20 000 000	-
Amortised to cover related expenses incurred	(4 689 280)	(32 548 021)
Capital grants - utilised during the year	(15 490)	(44 018)
Balance at 31 March	44 846 106	29 550 876
Deferred capital grants - gross funds		
Total deferred grants balance at 1 April	113 640 050	149 881 267
Grants received	20 000 000	-
Additions from Deferred capital grants - unutilised funds	15 490	44 018
Amortisation to surplus or deficit	(8 061 801)	(35 926 326)
Capitalisation to capital grants	(15 490)	(44 018)
Disposal for the year	-	(314 891)
Impairment for year	-	-
Total deferred grants balance at 31 March	125 578 249	113 640 050

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

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 P15 490 (2022: P44 018) that were funded from the revenue grants. Capital grants of the related assets of the same amount were recognised to be amortised to the surplus or deficit over the useful lives of the assets.

Deferred capital grants are advanced by the Government to the Authority to fund projects. Any unutilised amounts by the year end are presented as current liabilities based on the Government's expectation to utilised funds within 12 months from the date of receipt. At year-end, the unutilized balance of the Leather Industry Park funds was P25 896 705 (2022: P28 693 371).

In the year 2020, 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 P18 949 399 (2022: P857 503).

The Authority received a government subvention to cover its normal operations for the year amounting to P120 466 990 (2022: P130 123 150).

	2023	2022
10. Lease liability		
Lease liability	21,944,122	22,560,394
At the reporting date the lease liability is analysed as follows:		
Short term portion	1,790,427	3,509,007
Long term portion	20,153,696	19,051,388
	21,944,122	22,560,394
Maturity analysis - contractual undiscounted cash flows		
Within one year	4,969,969	4,773,059
After one year, before five years	31,846,853	36,577,694
After five years	5,877,772	5,226,644
Total undiscounted lease liabilities at 31 March	42,694,594	46,577,397
Total finance expense allocated to future periods	(20,750,471)	(22,235,744)
Lease liability at 31 March	21,944,122	24,341,654
The lease liability can be reconciled as below:		
Lease liability at 1 April	24,341,654	24,381,745
Prior period error	-	1,367,036
	24,341,654	25,748,781
Additions of Leases during the year	1,313,407	1,571,630
Interest expense on lease liability	1,485,273	1,549,891
Lease payments made for the year	(1,485,273)	(4,528,648)
Lease liability at 31 March	25,655,060	24,341,654

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

	2023	2022
11. Trade and other payables		
Trade payables	1 210 130	1 541 887
Accruals and other payables	12 558 874	6 569 513
Payroll related accruals	14 559 284	9 761 171
	28 328 287	17 872 571

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

12. Commitments and contingencies

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 (2022: 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 P6 370 180 (2022: P3 224 916) 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.

14. Going concern

The Authority's ability to continue as a going concern is dependent on the Government of Botswana for support. As guided by continual engagement, the parent Ministry of Entrepreneurship, has shown commitment to support the national credit and qualifications framework maintenance and the quality assurance services now and in the foreseeable future because they believe the LEA mandate is still valid.

This support has been further confirmed by the approval of P146 466 990 as Government Subvention for 2023/24.

The annual financial statements have been prepared on a going concern basis. This basis presumes that support from the Ministry of Entrepreneurship in the form of funds will continue to be available to finance the Authority's operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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 2023

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	**2023**	**2022**
Trade and other receivables	513 449	738 540
Cash and cash equivalents	67 991 635	69 547 482
	68 505 084	70 286 022
Financial liabilities		
Trade and other payables	13 799 004	8 111 400

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 2023

In Pula

15. Financial instruments *(continued)*

Credit Risk

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:

	2023	2022
Trade receivables	83 323	204 930
Other receivables	430 126	533 610
Cash and cash equivalents	68 991 635	69 547 482
	68 505 084	70 286 022

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

	Gross 2023	Impairment 2023	Gross 2022	Impairment 2022
Current	-	-	-	-
Past due 1 - 30 days	101 464	(54 806)	312 537	(146 595)
Past due 31 - 60 days	117 059	(80 728)	109 707	(73 094)
Past due 61 - 90 days	82 796	(80 895)	72 438	(70 062)
Past due more than 90 days	1 668 075	(1 669 643)	698 294	(698 294)
	1 969 394	(1 886 071)	1 192 976	(988 046)

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

	Impairment 2023	Impairment 2022
Balance at beginning of year	988 046	489 392
Increase in allowance included in surplus or deficit	898 026	498 654
Balance at end of year	1 886 071	988 046

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 March 2023

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-flowsdue in less than 6 months
2023		
Trade and other payables	13 799 004	13 799 004
2022		
Trade and other payables	8 111 400	8 111 400

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 2023

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	2023	2022	2023	2022
Investments	0%	1.50%-6.50%	-	30 400 562
Call accounts		0.02%	8 761 545	36 211 911
			8 761 545	66 612 473

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:

	2023	2022
Investments	-	152 003
Call accounts	43 808	181 060
Net decrease in net deficit/increase in net surplus	43 808	333 063

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 March 2023

In Pula

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

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.

	Carrying values	Financial assets/ liabilities at amortised cost	Other non-financial assets and liabilities	Current assets and liabilities
2023				
Assets				
Trade and other receivables	6 471 232	513 449	5 957 783	6 471 232
Cash and cash equivalents	68 002 657	67 991 635	11 022	68 002 657
	74 473 889	68 505 084	5 968 805	74 473 889
Liabilities				
Trade and other payables	28 328 287	13 769 004	14 559 284	28 328 287
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
	74 423 256	70 286 022	4 137 234	74 423 256
Liabilities				
Trade and other payables	17 872 571	8 111 400	9 761 171	17 872 571

17. Correction of prior period errors

During the year, the Authority corrected prior period errors relating to land and buildings, leasehold improvements, and leases as detailed below. The errors have been corrected retrospectively by restating each financial statement line item affected. The overall impact on the Authority's financial statements as at 31 March 2021 and 31 March 2022 is disclosed below.

17.1 Error 1 incorrect computation of depreciation

In prior periods, the Authority did not compute depreciation correctly and this resulted in understatement of land and buildings and leasehold improvements. The Authority has corrected the error by recomputing depreciation charges from the date of asset acquisition.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

17.2 Error 2 Incorrect measurement of Lease liabilities and Right of use Assets

In prior periods, the Authority did not determine the lease term of various lease contracts in line with the requirements of IFRS16. In addition, remeasurements of the lease liability and right of use asset were performed inappropriately. The errors have been corrected by recomputing the lease liability and right of use asset reflecting the correct lease term from the inception of the contract and correcting for remeasurements.

Restatement Disclosure Note 17

	Cumulative adjustments to 31 March					
	As Previously Reported	**Opening**	**Current Period**		**Total Adjustment**	**Restated**
Nature of errors			**Leases**	**PPE-Depreciation**		
	P	**P**	**P**	**P**	**P**	**P**
Notes (Detailed description of the errors)			17.1	17.2		17.3
Financial Year 2021						
Non-current assets						
Property, plant and equipment	102,834,692	3,850,218		1,182,751	5,032,969	107,867,661
Right of use asset	21,794,259	780,069	470,000		1,250,069	23,044,328
Funds						
Accumulated surplus	28,704,108	3,297,813	435,438	1,182,751	4,916,002	33,620,110
Non-current liabilities						
Long-term portion of lease liability	21,400,773	1,332,474	55,000		1,387,474	22,788,247
Current liabilities						
Short-term portion of lease liability	2,980,972	-	(20,438)		(20,438)	2,960,534
Financial Year - 2022						
Non-current liabilities						
Property, plant and equipment	105,651,330	5,032,969		1,182,751	6,215,720	111,867,050
Right of use asset	19,127,277	1,250,069	370,209		1,620,278	20,747,555

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

Restatement Disclosure Note 17 *(Continued)*

		Cumulative adjustments to 31 March				
	As Previously Reported	Opening	Current Period		Total Adjustment	Restated
Nature of errors			Leases	PPE-Depreciation		
	P	P	P	P	P	P
Funds						
Accumulated surplus	46,495,962	4,916,002	(44,015)	1,182,751	6,054,738	52,550,700
Non-current liabilities						
Long-term portion of lease liability	19,051,318	1,367,036	323,192		1,690,228	20,741,546
Current liabilities						
Short-term portion of lease liability	3,509,076	-	91,032		91,032	3,600,108
Extract from the statement of comprehensive income						
Finance Expense	1,535,909		13,981		13,981	1,549,890
Operating expenses	152,401,038		30,034	(1,182,751)	(1,152,717)	151,248,321
Extract from the statement of cash flows						
Cash flows from financing activities						
Lease repayment - Principal	2,992,738		-	-	-	2,992,738
Lease repyament - Interest	1,535,909		13,981		13,981	1,549,890

DETAILED INCOME STATEMENT
for the year ended 31 March 2023

	2023	2022
Income		
Government subvention	120 466 990	130 123 150
Amortisation of capital grants	3 372 521	3 378 305
Amortisation of revenue grants	4 689 280	32 548 021
	128 528 791	166 049 476
Other operating income		
(Gain)/Loss on disposal of plant and equipment	(129 572)	940 230
Derecognition of capital grants on impairment of related assets	-	314 891
Rental income	1 327 212	1 256 485
Sundry income	838 057	1 793 110
Telephone recoveries	2 557	440
Tender fees	29 075	45 100
Training and resource centre income	1 590 622	912 289
	3 657 951	5 262 545
Operating expenses		
Advertising costs	(429 002)	(474 896)
Amortization of intangible assets	(660 225)	(614 860)
Annual license fee	(3 034 480)	(2 644 926)
Auditors' remuneration - current year	(637 935)	(389 170)
Bank charges	(91 165)	(365 230)
Board sitting allowance	(175 049)	(290 709)
Board meeting expenses	(286 522)	(167 296)
Business travel, accommodation, and allowances	(2 339 160)	(1 359 550)
Computer expenses	(1 450 172)	(1 465 761)
Consultancy fees	(2 206 144)	(1 889 852)
Courier and postage	(333 470)	(271 138)
Depreciation of property, plant, and equipment	(7 594 115)	(4 859 231)
Depreciation of right of use assets	(4 105 717)	(3 868 402)
Digital transformation solutions	(822 171)	(349 330)
Farm consumables	(2 470 694)	(1 943 695)
Doubtful debts charge	(898 026)	(498 654)
Impairment of property, plant, and equipment	-	(216 720)
Insurance	(1 043 389)	(990 993)
Legal fees	(4 733 342)	(266 098)
Motor vehicle expenses	(1 808 976)	(954 889)
Office expenses	(3 355 317)	(1 432 026)
Operating lease rentals	(4 721 286)	(3 529 572)
Project expenses - Leather Park	(2 781 177)	(1 919 071)
Total carried forward	(45 977 534)	(30 762 067)

DETAILED INCOME STATEMENT *(continued)*
for the year ended 31 March 2023

In Pula

	2023	2022
Total brought forward	(45 977 534)	(30 762 067)
Project expenses - Industry Support Facility	(1 908 104)	(30 628 950)
Promotion and publicity	(1 189 212)	(2 641 874)
Remuneration paid to senior management	(13 419 491))	(12 089 396)
Repairs and maintenance	(5 769 348)	(4 711 189)
Research costs	(2 119 384)	(413 261)
Security expenses	(4 856 812)	(4 607 350)
Market Access	(1 649 152)	-
Seminars, retreat and conference costs	(897 384)	(508 924)
SMME conference and fair - current year	(1 669 447)	(61 683)
Staff costs - Salaries and wages	(57 628 025)	(52 936 996)
Staff costs - others	(1 071 320)	-
Staff training and recruitment	(1 059 010)	(736 419)
Staff welfare	(2 331 749)	(3 728 363)
Stakeholder management	(197 898)	(128 651)
Stationery and printing	(1 282 101)	(1 344 611)
Subscriptions	(335 615)	(205 782)
Telephone, mobile and fax	(3 295 597)	(4 158 707)
Write off of receivables	-	-
Training and mentoring costs	(4 156 864)	(1 584 095)
	(150 814 045)	(151 248 318)
Operating surplus for the year	(18 627 303)	20 063 703

This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 47 to 50.

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