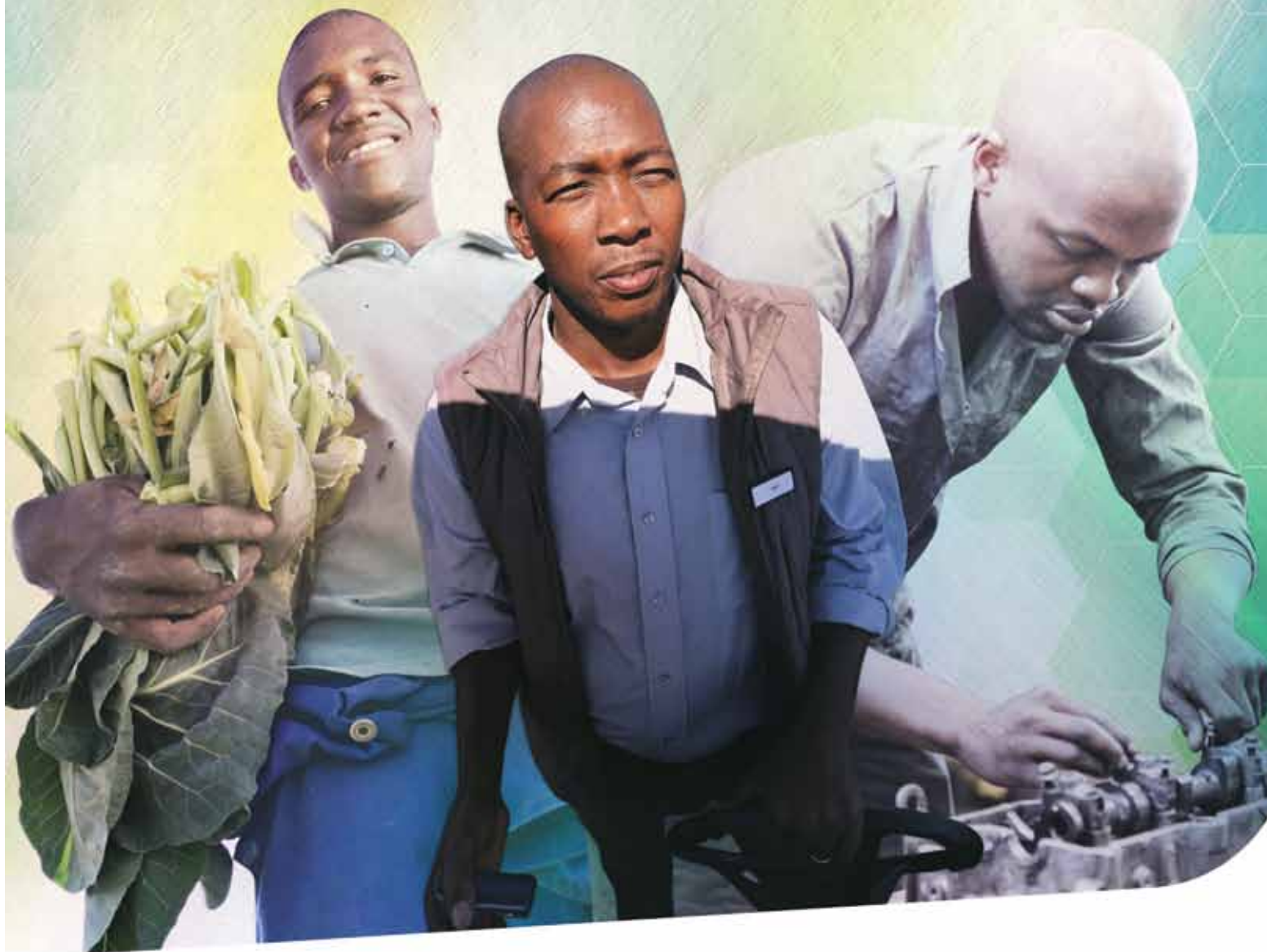


Annual
Report

2013
2014



LEA

LOCAL ENTERPRISE AUTHORITY


GABORONE KANYE KASANE MASUNGA RAMOTSWA
SELEBI PHIKWE GHANZI MOLEPOLOLE MAUN SEROWE
MOCHUDI FRANCISTOWN TSABONG

Annual
Report

**2013
2014**

Empowering
your business
for growth





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Glossary of Terms

BCL	Bamangwato Concession Limited
BCP	Business Continuity Plan
BDS	Business Development Services
BEMA	Botswana Exporters and Manufacturers Association
BITC	Botswana Investment and Trade Centre
BOBS	Botswana Bureau of Standards
BOCCIM	Botswana Confederation of Commerce Industry and Manpower
BOTASH	Botswana Ash
CEDA	Citizen Entrepreneurial Development Agency
CETP	Common Effluent Treatment Plant
CSI	Corporate Social Investment
EAW	Entrepreneurship Awareness Workshop
EDT	Entrepreneurship Development Training
ERM	Enterprise-wide Risk Management
FAP	Financial Assistance Policy
HR	Human Resources

- Business incubation** > A programme designed to support the successful development of start-up enterprises offering infrastructure and other services in a controlled environment.
- Pre Start-up Business** > A business idea that has not yet been implemented.
- Start-up Business** > A business that has been in operation for less than twelve months.
- Existing Business** > A business that has been in operation for more than twelve months.

IP	Intellectual Property
ISO	International Organisation for Standardisation
IT	Information Technology
LEA	Local Enterprise Authority
NPV	Net Present Value
MCM	Morupule Coal Mine
MFDP	Ministry of Finance and Development Planning
MOA	Ministry of Agriculture
MOESD	Ministry of Education and Skills Development
MOU	Memorandum of Understanding
MTI	Ministry of Trade & Industry
MYSC	Ministry of Youth, Sport and Culture
NDP10	National Development Plan 10
NDT	Ngwato Development Trust
NFTRC	National Food Technology Research Centre
NGO	Non-Governmental Organisation
PSC	Project Steering Committee
QMS	Quality Management System
SAITEX	Southern African International Trade Exhibition
SITF	Swaziland International Trade Fair
SBA	Small Business Act
SHE	Safety, Health and Environment
SMME	Small, Medium and Micro Enterprises

LEA Corporate Profile

The Local Enterprise Authority (LEA) was established by the Small Business Act 7 of 2004, Chapter 43:10 of the Laws of Botswana to carry out on behalf of the Government of Botswana, and more specifically the Ministry of Trade and Industry (MTI), 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 SMME development through:

- Providing business development services inter alia through; screening, business plan facilitation, training and mentoring;
- Identifying business opportunities for existing and future SMMEs;
- Promoting domestic and international linkages, especially between SMMEs and government, large business entities and other SMMEs;
- Facilitating changes in regulations, quality management systems and standards, infrastructure and access to finance;
- Facilitating technology adoption and diffusion;
- Promoting general entrepreneurship and SMME awareness.

The Authority's key deliverables in summary are 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 the development of vertical integration and the horizontal linkages; between SMMEs and primary industries in agriculture, mining and tourism;
- Improved efficiency in the delivery of services to business;
- Promotion of business linkages between small and large enterprises.

The Authority prides itself on having an extensive country-wide footprint of 13 branches. Through the guidance of the Quality Management System Standard ISO 9001, the highly specialized quality of service is standardized in all the branches and clients are therefore guaranteed excellent service in the entire LEA branch network regardless of the location. The

thirteen branches are in Francistown, Gaborone, Ghanzi, Kanye, Kasane, Masunga, Maun, Mochudi, Molepolole, Ramotswa, Selibe-Phikwe, Serowe and Tsabong. In addition to the branches, there are four Business Incubators whose objective is to provide business space, shared facilities and impact driven interventions geared at attaining accelerated growth of the enterprises incubated.

The LEA Incubators are as follows;

- ⬡ Francistown Industrial Business Incubator
- ⬡ Gaborone Leather Industries Incubator
- ⬡ Glen Valley Horticulture Incubator
- ⬡ Pilane Multipurpose Business Incubator

> Our Vision

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

> Our Mission

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

> Our Value Proposition

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

> LEA Values

Self-Driven

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

Transformational Leadership

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

Partnership

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

Botho

We are courteous, polite, and approachable. We execute all our transactions with clients and other stakeholders with integrity.

Board Members



KEY

Technical Advisory Committee

TAC

Finance and Audit Committee

FAC

Human Resource Committee

HRC

Board Tender Committee

BTC

1. Mr. Batlhatswi Tsayang
Board Chairman

2. Ms. Bilkiss Moorad
(Chair) FAC & HRC

3. Ms. Hildah Mocuminyane
- Rabashwa
(Chair) BTC & HRC

4. Ms. Masego Marobela
FAC & BTC

5. Mr. Oabile Regoeng
TAC & HRC

6. Mr. Thatayaone Molefhi
TAC & FAC

7. Mr. Rockie Mmutle
FAC & HRC

8. Dr. Haniso Motlhabane
TAC & BTC

9. Mr. Boniface Mphetlhe
(Chair) TAC & BTC

10. Ms. Mama Maite
(Chair) HRC & TAC

**“ Opportunities
in entrepreneurship
prevail in every situation.**

**The bee has a sting but produces
honey too... look at every negative
and make the positive
out of it ”**



LOCAL ENTERPRISE AUTHORITY

Executive Management



Dr. Tebogo Trevor Kingsley Matome
Chief Executive Officer



Mr. Cosmas Moapare
Deputy CEO, Client Services



Ms. Verily Molatedi
Deputy CEO, Support Services



Ms. Masego Gwaila-Madanika
Director , Research and Development Division



Mr. Mbatl Lebang
Director, Risk and Internal Audit



Mr. Nathaniel Matsheka
Director, Corporate Services (A)



Ms. Masego Mookodi
Director, Human Resources



Mr. Donald Fologang
Director, Capacity Development



Mr. Lesitamang Paya
Director, Innovation and Sector Support



Mr. Shusheini Baitshenyetsi
Director, National Branch Network



Ms. Nyaladzi Kutjwe
Director, Corporate & Stakeholder
Communications



Mr. Gaboipeelwe Motlhabane
Director, Corporate Planning (A)



Mr. Gordon Mbongwe
Strategy Manager



Ms. Kelebogile Raletsatsi
Assistant Corporate Secretary
& Legal Services Manager

LEA Branch Managers



Mr. Obakeng Segwagwe
Senior Manager, South



Mr. Kabelo Nkwane
Senior Manager, North



Ms. Anastasia Mamelodi
Branch Manager, Mochudi



Ms. Martha Keikanetswe
Branch Manager, Ghanzi



Ms. Segakolodi Ntebele
Branch Manager, Masunga



Ms. Dulu Moaisi
Branch Manager, Ramotswa



Ms. Mmoloki Kesalopa
Branch Manager, Francistown



Ms. Gertrude Molefi
Branch Manager, Gaborone



Ms. Kgomotso Masunga
Branch Manager, Serowe



Mr. Kagiso Habangana
Branch Manager, Selibi Phikwe



Mr. Kago Ntebela
Branch Manager, Kanye



Mr. Noseko Keemetsekgosi
Branch Manager (A), Maun



Mr. Lesedi Ngakane
Branch Manager, Molepolole



Mr. Oreneile Padipadi
Branch Manager, Kasane



Mr. Agripah Hengari
Branch Manager, Tsabong

LEA Incubator Managers



Mr. Moiserale Ramatebele
Incubator Manager, Francistown
Industrial Business Incubator



Mr. Mokolobetsi Makhamisa
Incubator Manager, Gaborone
Leather Industries Incubator



Mr. Isaac Bok
Incubator Manager, GlenValley
Horticultural Incubator



Ms. Tsholofelo Mmekwa
Incubator Manager, Pilane
Multi Purpose Incubator



LEA

LOCAL ENTERPRISE AUTHORITY

Chairman's Statement



On behalf of the Board of Directors of the Local Enterprise Authority, I am pleased to present the LEA Annual Report for the financial year 2013/2014. This report gives a brief synopsis of the operations, achievements, challenges and milestones of LEA in pursuit of the organization's mandate. The Annual Report highlights on the performance of the organization for the financial year under review.

The 2013/14 financial year marks the fourth and final year of the implementation of the LEA's sub-sector focus strategy, where the organization committed itself to developing the piggery, horticulture, dairy and leather subsectors. This decision was primarily influenced by the organisation's economic diversification drive; import substitution initiatives and the limited resources at the Authority's disposal. We learnt earlier on in our journey of SMME development, that it was not going to be an easy exercise, given the number of challenges and impediments faced by enterprises operating in Botswana. While the Government through the Ministry of Trade and Industry continues to work hard on improving our doing business ranking, it is our view as LEA that this is the role of every stakeholder. We are therefore proud to have made significant progress in the implementation of some of our strategic projects, which are aimed at creating a favourable and conducive environment for our Entrepreneurs and SMMEs. The organization has been able to include the

Leather Sector Park in the NDP 10 and has also been able to secure funding through the Office of the President for the implementation of the Rapid Incubator. The Rapid Incubator project will provide the necessary training for the development of skilled entrepreneurs, in both technical and business skills. On the other hand the Leather Sector Park will accelerate the development of the leather sector in Botswana through the availability of raw materials for local SMMEs, attraction of skilled labour and Foreign Direct Investment to assist in commercializing the sector. The implementation of the Leupane Dairy Project and Horticulture 40 continue to lag behind due to factors beyond our control. However, we continue to work hard to ensure that these projects eventually get off the ground, as we believe that they are at the core of entrepreneurship development in the country.

Even though we spent considerable energy and time addressing impediments to entrepreneurship and SMMEs development in the subsector, the organisation has been able to achieve its performance target. The overall organizational performance result for 2013/2014 financial year stands at 76.12% representing a 1.12% above the set target of 75%. These results are an indication that LEA continues to make huge strides in the realization of its mandate as per the Small Business Act, particularly in the areas of job creation, entrepreneurship development and thus contributing

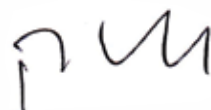
immensely to the Government's noble agenda of economic growth and diversification. As an organisation, the results are a clear indication that Batswana continue to take up LEA services given the number of interventions.

In our last report, we promised that we will continue to address impediments that are hindering SMME development and sustenance through research-based initiatives. During the year under review, the Authority conducted a study to assess the viability and competitiveness of various sectors in the regions of the country. The main objective of this study was to identify business opportunities as informed by the availability of raw material; technical and financial support; supportive factors of production such as land, rainfall; and most importantly the value chain position of the opportunity. We are happy to provide the nation with the 37 business opportunities together with their upstream and downstream beneficiation potential. It is our view that these business opportunities will act as stimulus for opportunity led entrepreneurship in the country. The in-depth analysis of business opportunities will provide the national branch network with information on their competitive advantage in respect of selected opportunities in their respective regions, which dovetail excellently with the new LEA Strategy (2014-2017) based on opening up to all sectors and service differentiation.

As reported elsewhere in this report, the organization spent the last twelve months carrying out research and analysis in order to inform itself on the new strategic direction for the next three years. I am happy to announce that from April

2014 to March 2017 the Local Enterprise Authority will be embarking on a new strategy that we believe will bring about enormous changes and benefits to the SMME sector. The organisation will now be open to service all sectors of the economy. The LEA will also offer a differentiated service to its clientele, wherein there will be specific assistance given to micro enterprises on the one hand, and small and medium enterprises on the other. This strategy recognizes the differing needs which our enterprises have, and endeavours to meet the varying needs of our enterprises to ensure growth, but beyond that to ensure sustainability of these businesses. I am confident that this new strategy will allow the Authority to continue to strive to empower Batswana to start and grow their business.

I wish to conclude by expressing sincere gratitude, on behalf of the LEA Board, Management and staff, to our parent Ministry of Trade and Industry, the Minister and the Permanent Secretary for their unwavering support to LEA. It is through their support that LEA stands a much better chance to develop enterprises and general entrepreneurship in Botswana. It would be amiss not to appreciate the support given by our various stakeholders who continue to partner with us in our drive to develop SMMEs in the country. I wish to direct special gratitude to the very entities that are the primary basis for our existence, the SMME community.



Batlhatswi Tsayang
Chairman of the Board

Chief Executive Officers Statement



It is with great pleasure that I present the performance of the Local Enterprise Authority for the 2013/14 financial Year. This year represents the seventh year of the authority's provision of services to the general public, specifically our SMME sector. Since April 2007, we have been able to assist thousands of Entrepreneurs and micro, small and medium sized businesses towards realizing their dreams of "starting and growing their business". It has been an interesting and fulfilling journey for the LEA, a journey that has epitomized growth in the different facets of the organization and its employees; a journey filled with moments of success, challenges and at times frustrations. However all these have served as energy to our recommitment to making tomorrow a better future for the existing SMMEs and potential entrepreneurs. It is important to highlight that the 2013/14 financial year served as a transitory year, from a strategy focused on a few subsectors to a new strategy that we believe will offer this country a better and faster chance of achieving its twin objectives of economic diversification and growth.

While achieving our performance targets remained a priority during 2013/14, we also engaged in extensive research of identifying business opportunities and sectoral

capabilities of the different regions within this country. This exercise provided the organization with regional comparative and competitive advantages and therefore equipped us with information to better advise our clientele on currently unexplored business opportunities in their regions. The organization is however mindful that our list is not exhaustive as we believe that entrepreneurs are better placed at identifying opportunities and pursuing them, which is what we will always support and encourage.

Our overall performance for the year under review stands at 76.12%, which is 1.12% above our performance target of 75%. We are happy that we have exceeded our performance target, albeit marginally. It is however important that we discuss and review this performance within the context of the current sluggish economic environment and the challenging business conditions on the ground. It is a known fact that the country is still recovering from the global economic recession and our economic performance is still to reach pre-recession figures. The African Development Bank has estimated our 2013 economic growth at 5.1%; while this indicates progress towards recovery, it is however important to note that this recovery is fuelled by service oriented sectors such as, trade; transport and communication; public



and financial services. This contrasts sharply with our current SMME clientele, where majority are in agriculture and manufacturing. A closer inspection of the performance of these sectors in our economic performance data indicates that they continue to perform poorly. It is therefore correct to conclude that the prevailing business environment is more restrictive to start-up and growth of SMMEs in these sectors. We are however happy that towards the last quarter of the financial year, we registered significantly improved performance by our SMMEs as indicated by the number of registered clients, the jobs they created, and the increase in their turnover. It is our view that this bodes well for a more prosperous future. The only downside to our business result this year is the slow pace at which we graduate clients. We had a target of graduating 34 clients, however only 3 have been able to graduate from LEA services. Even though the performance is not satisfactory we are however mindful that our inability to graduate clients is more an indication of a lack of entrepreneurial culture in the country and a harsh environment which militate against the start-up and growth of our SMME sector clientele.

The performance results mentioned above are indicators of the organization's impact in the short term. However there are a number of activities that are carried out by the organization on an everyday basis through our interactions with our SMMEs; these being indicators of our effort, which

has enabled us to improve the competitiveness, sustainability and growth of our SMMEs. It is the 11, 721 interventions delivered to our SMMEs in the 2013/14 financial year that have made it possible for most of them to register a positive growth trajectory in their businesses. These interventions are contained in our bouquet of basic and advanced interventions which include among others, training, mentoring and coaching. Even though we are convinced of the efficacy of our interventions, as a learning organization, we will continue to identify areas of improvement to ensure that we continue to add value to our SMMEs.

An entrepreneur is the central cog of any business, and our experience of the last seven years and the fact that we are dealing with a first generation of entrepreneurs, has heightened the need for us to improve the level of entrepreneurship in the country. To this end the organization has been conducting Entrepreneurship Awareness Workshops (EAWs) targeting Senior Secondary School leavers (Form 5s) as well as final year Brigades and Vocational College students. These workshops are designed to sensitize these students on the value and possibilities of taking up entrepreneurship as an alternative to formal employment. In the year under review, we have been able to conduct workshops for 26,058 participants. Furthermore to complement the EAWs, LEA has completed the development of a comprehensive National



Entrepreneurship Policy and Implementation Strategy which is aimed at providing a blueprint for a comprehensive development of Entrepreneurs and Small, Medium and Micro businesses. The Policy has been submitted to the Ministry of Trade and Industry for finalization and submission to Parliament.

Be that as it may, access to funding and lack of necessary infrastructure are proving to be two major impediments to our ability of getting more people to start and grow businesses. Access to finance has multiple facets to it, chief among them being limited funding options, in term of funders and products range, due to inherent risks and requirement of collateral in the case of debt financing. On the other hand, there is an established presumption that infrastructure is the bedrock of any business facilitation and the lack of necessary infrastructure is a major impediment to business development. We have established through the sub-sector value chains that one of the major constraints to private sector development in Botswana is lack of the strategic infrastructure which should act as a catalyst for private sector investment, be it foreign or domestic. It is for these reasons that we continued to prioritise the implementation of four (4) key strategic infrastructure projects, which are aimed primarily at kick-starting sustainable development of the dairy, horticulture and leather sector. In our last review, we did share our frustrations and optimism with respect to their implementation in this financial year. Unfortunately progress towards the implementation of these projects has been modest, mainly due to factors outside our control. We

have however been able to secure funding commitment for two of the four projects, namely Leather Sector Park and Rapid Incubator. The Leather Sector Park has been included for funding in the last half of the NDP 10 while the Rapid Incubator will be a critical technical and business skill development tool under the poverty eradication programme of the Office of the President. We believe the establishment of the Leather Sector Park will showcase a strategic approach to business development by both government and the private sector. In terms of the other two strategic infrastructure projects we will continue to engage stakeholders on how we can move them forward in order to fast-track their development.

Our Internal Processes and Resources, both financial and human, are the two most important internal parameters that allow us to implement our developmental programmes or interventions, and thus make a difference in our SMMEs. We continue to take pride in our ISO 9001:2008 certification. This certification is vital in ensuring that our processes, interventions, and management systems are of an erudite and internationally accepted standard; thus assuring our clients that we are able to provide quality and consistent services to them throughout the country. On the other hand, behind the desks throughout the country, we have a group of talented individuals who toil everyday to ensure that we deliver quality and consistent services. We are a knowledge based organization, where excellence is required from our human resources if we are to achieve our performance



targets and deliver value to our clients, as promised in our value proposition of “Empowering the entrepreneur to start and grow their business”. It is for these reasons that we have endeavoured to build and create a conducive environment to attract and retain high performing human resources. However, the organization continues to experience talent drain mainly due to uncompetitive remuneration packages. This high staff turnover has a very negative effect on business continuity within the LEA, more especially at our client facing level.

As I mentioned earlier in this missive, the 2013/14 financial year served as a transitory period, from a strategy perspective. The primary plan for the year was to conduct in-depth research and analyses aimed at informing ourselves on the needs of our SMMEs, opportunities and capabilities of the different regions and thereafter crafting a future strategy which will take our SMMEs forward for the next three years. In the next three years, we will be embarking on a new course, a course that recognizes the idiosyncratic nature of Micro enterprises on the one hand and Small and Medium Enterprises on the other. While Micro enterprises are many by nature, they are usually involved in low barriers to entry, low value added activities and small scale agricultural production. They usually employ fewer people, have higher mortality rates and are more likely to operate on a subsistence level and less likely to individually add significant value to the economy. On the other hand the Small and Medium enterprises are the main source of economic growth and innovation. In light of these

realities and the value addition possibilities, the organization has made a decision to offer differentiated services to its clientele, where the Micro Enterprises will be provided with generalized services in the form of information, over the counter interventions, and relevant trainings. On the other hand, we will provide be-spoke and demand based services to the Small and Medium Enterprises in order to accelerate their growth and expansion, and hopeful their internationalization.

Let me end by extending our appreciation to the Ministry of Trade and Industry for their continued support towards LEA. I also thank the Board for the much valued strategic guidance and direction that they provide. To LEA Management and employees, it is only through your hard work that we have been able to exceed our performance targets. Last but critically important, we thank our customers and stakeholders our customers for the trust they continue to have in the quality of our interventions, and our stakeholders; for their partnership and support in the implementation of the LEA's various initiatives.

A handwritten signature in black ink, appearing to read 'Tebogo Kingsley Matome'. The signature is stylized and fluid.

Dr Tebogo Kingsley Matome
Chief Executive Officer

Board and Governance

The LEA Board has a current membership of ten (10), wherein the members have been drawn from:

- SMME Development institutions: These members offer a viewpoint from the institutional SMME development arena and assist in providing strategic guidance that ensures that LEA collaborates with stakeholders and other institutions set up to provide, inter alia, complementary interventions meant to assist in SMME development.
- The SMME community: LEA Board has membership from successful practicing SMMEs who bring in an element of practical business insight and are able to provide strategic guidance from the SMMEs perspective and experience.
- Experts in the financial, human resources and legal fields to provide governance and monitoring of the organisational operations in compliance with the statutory requirements.

During the 2013/2014 financial year, the LEA Board welcomed to its membership:

- Mr Thatayaone Molefhi
- Mr Rockie Mmutle
- Ms Bilkiss Moorad
- Ms Mama Maite

During the same year, the LEA Board bid farewell to:

- Mr Joseph Makwinja,
- Ms Tapiwa Kebalepile
- Mr Steven Bogatsu
- Mr Thapelo Pabalinga

The LEA Board has four (4) sub-committees that assist the Board in carrying out its functions of providing strategic guidance to the organization.

Technical Advisory Committee

The Technical Advisory Committee provides strategic guidance on projects that form part of LEA's mandate. The Committee further deals with matters of the following nature:

- 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 business entities and other SMMEs.
- Facilitating changes in regulation, quality management systems and standards, infrastructure and access to finance.
- Facilitating technology adoption and diffusion.
- Promoting general entrepreneurship awareness
- Setting and monitoring of performance targets of the organization

Human Resource Committee

The Human Resource Committee considers human resource matters of a strategic nature such as the appointment of executive management, ensuring the development, adoption and implementation of human resource policies.

Additionally, it deals with creating a conducive environment for the attraction and retention of quality human resources for LEA.

Board Tender Committee

The Board Tender Committee considers and makes decisions on all tenders and tender related matters.

Finance and Audit Committee

The Finance and Audit Committee advises the Board on financial and audit related matters. The Committee ensures that financial resources are aligned with the organization's strategic direction, as well as promotes and ensures transparency and accountability in all financial matters. Where necessary, the Committee has powers to institute investigations of a financial and/or administrative nature to protect the interests of the Authority.

Corporate Governance Statement

Recognising and Managing Risk

In an effort to ensure that the organisation is prepared to promptly and positively mitigate risks which may be encountered during the course of business, the following mechanisms have been established by the LEA Board:

Enterprise-wide Risk Management (ERM) Framework

The organisation has implemented an ERM framework from which a comprehensive corporate risk register is generated. The risk register focuses on effective risk management by identifying risks which could have a negative impact on the achievement of corporate and business objectives, as well as control measures necessary for mitigating these risks. Regular reviews are conducted to assess and update the risk register.

Safety, Health and Environment (SHE) Structures

LEA maintains SHE structures throughout its branch network to continuously improve on safety, health and environmental concerns within the workplace.

Business Continuity Plan (BCP)

The organisation is implementing a Business Continuity Plan to ensure minimal disruption to critical business processes and operations in the event of a disaster. During the period under review, detailed continuity plans were implemented for the following critical business processes; Information Technology (IT) services, Human Resources (HR), Finance, Shared Services (Procurement) and Corporate and Stakeholder Communications. Management is continuously reviewing the continuity plans for adequacy, relevance and completeness.

Internal Audit

The Internal Audit department is an independent assurance provider that undertakes reviews geared towards providing assurance to the Board, Management and LEA stakeholders on matters relating to:

- ⬡ Efficiency and effectiveness of risk management, control and governance
- ⬡ Reliability of financial and operational reporting
- ⬡ Compliance with policies, procedures and laws
- ⬡ Safeguarding of organisational assets

The Finance and Audit Committee reviews and approves the Internal Audit Plan. Internal Audit reports to the Finance and Audit Committee on a quarterly basis on the outcomes of reviews performed. The Internal Audit function has been instrumental in

reviewing of the organization's risk management practices and strengthening of the overall control environment. The Board continues to support and place reliance on the work of Internal Audit.

Fraud Policy and Whistle-blowing Hotline

In an endeavor to prevent unethical business practices and promote transparency, the organisation has adopted a Fraud Policy and an independent Whistle-blowing Service through which wrongdoing may anonymously be reported. The policy also provides for the protection of whistleblowers.

Business and Performance Review

The LEA 2010-2013 Strategy elapsed on 31st March 2013, and was extended by one more year to end on 31st March 2014. A deliberate decision was made to allow the 2013/14 financial year to be a transitory period while further analysis was carried out on key strategic initiatives. LEA continued with pursuit of the niche agricultural sub-sector focus strategy which focused on horticulture, piggery, leather and dairy sectors.

The prevalence of conditions precedent to creation of new enterprises such as; access to serviced land, operating and/or working space as well as costs of water surveys and Environmental Impact Assessments remains a major hindrance to the growth of the SMME sector. Due to the risks associated with start-up businesses and SMMEs in general, there are limited financial institutions willing to fund the sector, resulting in a stagnant business conversion rate. Despite the aforementioned deterrents, the organisation managed to register one hundred and fourteen (114) new SMMEs in the 2013/14 financial year. Substantial milestones have been attained with regards to the strategic projects; specifically the Leather Sector Park and the setting up of a Rapid Incubator; which will provide the primary infrastructure crucial for SMME development. Upon implementation, the projects will drive the registration of new SMMEs and therefore improve job creation in pursuit of economic diversification. The funding of the other key project, the Leupane Dairy Cluster, remains critical to the achievement of the LEA mandate. Regarding the Horticulture 40 project, work is in progress to allocate identified plots to potential horticulturalists to start commercial production. The successful implementation of these projects will reduce the import bill and improve food security within the country.

The results of the Regional Competitiveness study, which carried out an in-depth analysis of regional business opportunities, are vital to LEA's business advisory services. Through the study, LEA has validated the unique business opportunities peculiar to certain regions within Botswana, to enable entrepreneurs to concentrate on the available viable businesses within their respective localities. The business opportunities, coupled with the Entrepreneurship Awareness Workshops that are aimed at shifting the culture and perception of Botswana to consider entrepreneurship as an alternative to formal employment, should further increase the consumption of LEA services.

During the year under review, LEA made significant strides in “empowering entrepreneurs to start and grow their business”. LEA has over the period under review assisted enterprises and entrepreneurs through training, mentoring and coaching. The LEA interventions result in improving sustainability and the operations of the businesses. As a result of such interventions, the clients’ turnover significantly improved specifically due to; accurate records keeping by clients and timely collection of vital statistics by LEA. The outstanding employment creation by the LEA clients was inevitable given the number of new SMMEs registered over the period under review.

Promotion of Citizen Entrepreneurship

LEA continues to inculcate an entrepreneurial spirit amongst Batswana. This is being achieved through Entrepreneurship Awareness Workshops (EAW), in partnership with the Ministry of Education and Skills Development with the aim of exposing students to alternatives other than formal employment. The EAW reached a total of 26 058 students as at 31st March 2014, with participants from various institutions including senior secondary schools (Form 5 students), brigades, technical colleges, prisons and other government departments.

The promotion of entrepreneurship is also being achieved through various outreach programmes across the LEA branch network. During the year under review, LEA attended a total of three hundred and ninety six (396) outreach activities. Outreach activities provide an opportunity for LEA staff to share the Authority’s mandate with the public in the form of various events such as; Career Fairs, Kgotla Meetings, District Council Meetings, Trade Fairs and various Government initiatives.



LFA

LOCAL ENTERPRISE AUTHORITY

Diversification of the Economy

Regional Competitiveness Study

The Small Business Act of 2003 mandates LEA to identify business opportunities for uptake by Small, Medium and Micro Enterprises (SMMEs). During the year under review, LEA carried out an assessment of business opportunities study across the thirteen (13) branches, with the main objective of accessing in-depth information on opportunities that can be exploited by LEA assisted business promoters to ensure increased job creation and realization of further diversification of the economy.

The aforementioned analysis of opportunities appraised factors that included; availability of raw material for the opportunity; availability of technical and financial support geared towards the opportunity; availability of land; physical environment (i.e. soil, temperature, rainfall and vegetation) supporting the opportunity; economic and social strengths of the opportunity and the value chain position of the opportunity being considered in the specific region.

The study has identified and validated a total of 37 business opportunities and their upstream and downstream beneficiation across the different LEA regions. These opportunities would therefore stimulate additional opportunities linked to them in the value chain thus creating a snowball effect on the number of opportunities available for SMMEs. The opportunities are not confined to any sector of the economy but span across agriculture, manufacturing, tourism and the services sectors.

The LEA carried out a supply chain analysis study for two crops; cabbage and onion in the Selibe Phikwe and Francistown regions respectively. This study was as a result of the horticulture value chain analysis and supply chain pilot studies of 2013 which had identified local low production of horticulture produce and general industry inefficiencies in the sector. The study undertook a supply chain analysis and process improvement for the production of cabbage and onions with a view to enhancing the participating enterprises efficiency and effectiveness. The results of the supply chain study will enable LEA to assist its clients on improved business processes and to also monitor the performance of their clients against key performance indicators such as harvest yield, harvest efficiency, sorting and packing efficiencies as well as delivery to the markets. The output of this would be increased product quality, market access and consistent supply to the market as per the requirements.

The study results have also provided LEA with information on the current inefficiencies and wastages during the production process emanating from these two crops from poor crop management and low skills amongst farm employees. The supply chain between the promoters and the retail market was also found to be poor due to low production quantities and production without secured markets resulting in failure to access the market. The information is very useful to LEA in

providing needs based interventions and processes that will ensure efficiency in horticulture as well as assists its clients to achieve high product quality and penetration of secure and reliable markets. This will ensure sustainability and growth of LEA assisted SMMEs in the short and medium term as the interventions can be replicated across the horticulture sub sector.

Key Strategic Projects

The 2013/14 financial year marked the final cycle of implementation of the sub-sector focus strategy. This report covers the interventions that were delivered to improve the performance of the sub-sectors.

In order to close the gaps in the four selected sub-sectors, the Authority developed models to undertake projects geared at removing obstacles that hinder the growth of the SMMEs in terms of availability of raw materials, use of appropriate technologies, correct business models as well as infrastructure development.

These projects are;

Horticulture 40 Project

The main objective of this initiative was to identify serviced land from the Ministry of Agriculture and select graduates from the Glen Valley Horticulture Incubator who will in turn prepare business plans, be assisted to solicit funding and assume production on the allocated plots. The project is in progress.

Leather Sector Park

The Leather Sector Park project was incepted as the result of a research study; Situational Analysis of the Leather Industry in Botswana (2010/11). Funding for the project was secured through the National Development Plan 10. A viability study on the project is in progress. A project steering committee comprising of representatives from stakeholders such as MTI, LEA, BOBS and the Ministry of Agriculture among others, has been constituted to ensure the implementation of the project.

Rapid Incubation Project

The Rapid Incubation project is intended to empower out of school youth in experiencing first-hand the necessary business and technical skills associated with various industries. The first Rapid Incubator has been approved to be set up through the support of the Poverty Eradication Coordinating Unit in the Office of the President. This project will be implemented in the 2015/16 financial year.

Promotion of Exports

In an effort to expose clients' products and services to international markets, the Authority facilitates for clients to participate in regional trade fairs. During the period under review, LEA facilitated participation of clients at the Southern African International Trade Exhibition (SAITEX) in South Africa, and the Swaziland International Trade Fair (SITF).

Trade Fair participation is an important market access intervention which enables clients to explore potential foreign markets for their products, as well as network and benchmark best practice across industries. Work is in progress to partner with BITC in order to enhance LEA clients participation at regional trade fairs, as well as exporting of their products.

Development of a Competitive SMME Community

The Authority continues to administer both basic and advanced interventions aimed at transforming SMMEs into competitive enterprises which are able to compete globally, and make a significant impact on the local economy.

LEA's interventions are intended to;

- Capacitate local SMMEs
- Facilitate access to finance, technology and infrastructure
- Train entrepreneurs and equip them with technical and business skills

The Authority is cognisant of the fact that these interventions can only be achieved through collaborations with various Organisations to enable the successful fulfilment of its mandate.

COLLABORATIONS

During the 2013/14 financial year, the Local Enterprise Authority signed project based Memoranda of Understanding (MOU) with various Organisations;

Junior Chamber International (JCI)

- > LEA and JCI collaborated on two projects, namely, the 2013 JCI Africa and Middle East Conference, as well as to promote entrepreneurship to the youth sector through the development of The Young Entrepreneur Awards and Best Business Plan competition. Five LEA Clients exhibited at the 2013 JCI Africa and Middle East Conference held in Gaborone, providing them with exposure to potential international markets.



Moro Trust

- > LEA and Moro Trust signed an MOU to jointly develop and deliver on the YES-IT project which is aimed to set up youth run ICT centres countrywide, in a bid to drive both entrepreneurship and the Information and Technology sector.

Botswana Accountancy College (BAC)

- > LEA and BAC joined forces to drive training, mentoring and consultancy of both students and LEA Clients and where necessary up skill LEA Business Advisors. This will be done through Internship, whereby BAC students will be attached to LEA assisted enterprises, for them to apply practical skills such as book keeping, accounting systems and information technology systems.

Institute of Development Management (IDM)

- > LEA and IDM collaborated in capacity building for both LEA clients and employees where possible, including but not limited to arranging attachments for IDM students with LEA clients, as well as tailor making training programmes to further develop LEA staff.

MilkAfric

- > LEA and MilkAfric collaboration intends to come up with a comprehensive national dairy pilot out grower scheme for empowering the local dairy entrepreneurs around Lobatse area using the Outgrowernet project as an anchor dairy farm. At inception the project will target twenty (20) dairy farmers and later approximately 20 to 30 potential young would be dairy farmers will be sent to the United States Of America (USA) to be trained in all aspects of dairy farming. LEA will support the farmers by providing business development training.

BUSINESS PLANNING AND CREDIT FACILITATION

In the 2013/14 financial year, LEA was able to convert business plans worth P33.2 million. Achieving the annual target for conversion of business plans continues to be a challenge, specifically due to the low value business plans which are being developed, as well as general challenges encountered by SMMEs attempting to start businesses, including difficulties in acquiring land and water rights.

NUMBER OF NEW SMMEs

During the 2013/14 financial year, the Authority registered one hundred and fourteen (114) new SMMEs. The growth of new SMMEs continues to be hindered by a number of factors, including but not limited to serviced land, operating space, costs of Environmental Impact Assessment and others.

LEA BUSINESS INCUBATION PROGRAMME

The LEA Business Incubation Programme has been running since the September 2009/10 financial year to date. Subsequent to a thorough review of the programme, LEA is developing a turn-around strategy for the incubators through the development of the LEA strategic plan 2014/17 in November, the Authority developed a turn-around strategy for incubators. This initiative was informed by the lessons learnt and experience during the three year implementation period.

TRAINING AND SKILLS DEVELOPMENT

As at end of March 2014, LEA had delivered one thousand, one hundred and sixteen (1116) interventions which comprised of 942 trainings and 174 consultancies and mentoring assignments. The training delivered included basic training courses such as record keeping and sales and marketing. Advanced training courses offered include fruits and vegetable processing, food hygiene, modern technology in vegetable production, quality management systems amongst others.

The consultancies and mentoring assignments included nutritional analysis determination, shelf life determination, branding and packaging designs, trade show coaching, intellectual property awareness and implementation, as well as business policies development.



Development of Linkages

Linkages creation

The Authority facilitates clients' access to markets through various interventions such as linking them to various markets that can absorb their products and services. Clients also exhibit during trade fairs, where they meet potential buyers and establish supply relationships.

During the 2013/14 financial year, LEA facilitated for forty (40) clients to participate at six local and two regional trade fairs, where exhibiting clients met the invited buyers, and discussions were held around specific market requirements to be fulfilled by suppliers.

Market days

The Authority organized 13 market days across the branch network to expose clients to the markets in their localities and build business linkages, as well as sharpen the clients' exhibition and negotiation skills so that they can easily participate at bigger trade fairs. Other capacity building organizations also attended the market days to share with exhibitors the assistance they offer to SMMEs.

2013 Botswana SMME Pitso and Buyer Seminar

This forum has created a conducive and open platform for discussing the challenges faced by SMMEs and how these impact on their growth, sustainability and competitiveness. During the year under review, the Authority hosted a one day SMME Pitso and Buyer Seminar on the 25th April 2013 in Gaborone. The objective of the Pitso was to bring together SMMEs and stakeholders in the SMME development sector to deliberate on topical issues of concern, network, share ideas and

collectively map solutions to identified challenges and highlight areas of improvement going forward. The theme of the 2013 Botswana SMME Pitso was; **“Building sustainable and competitive SMMEs as key to economic diversification; challenges, opportunities and lessons learnt”**. The Pitso attracted a total of 199 participants comprising 107 LEA assisted clients, 21 Non-LEA clients and 71 stakeholders.

Buyer Seminars

During the buyer seminars, invited markets disseminated information that will empower SMMEs and assist them in ensuring that their products and services are market ready. They discussed various requirements that suppliers must meet in order to penetrate markets. The seminars were conducted by PPADB, Springbok Suppliers, Simply Botswana, Senn Foods, Gaborone City Council, Choppies, Pick n Pay, Shoppers, and Mr Veg.

All these fora are instrumental in enhancing SMMEs networking, sharing of ideas and benchmarking with best practice across industries. LEA also uses these platforms to communicate its mandate to members of the public.



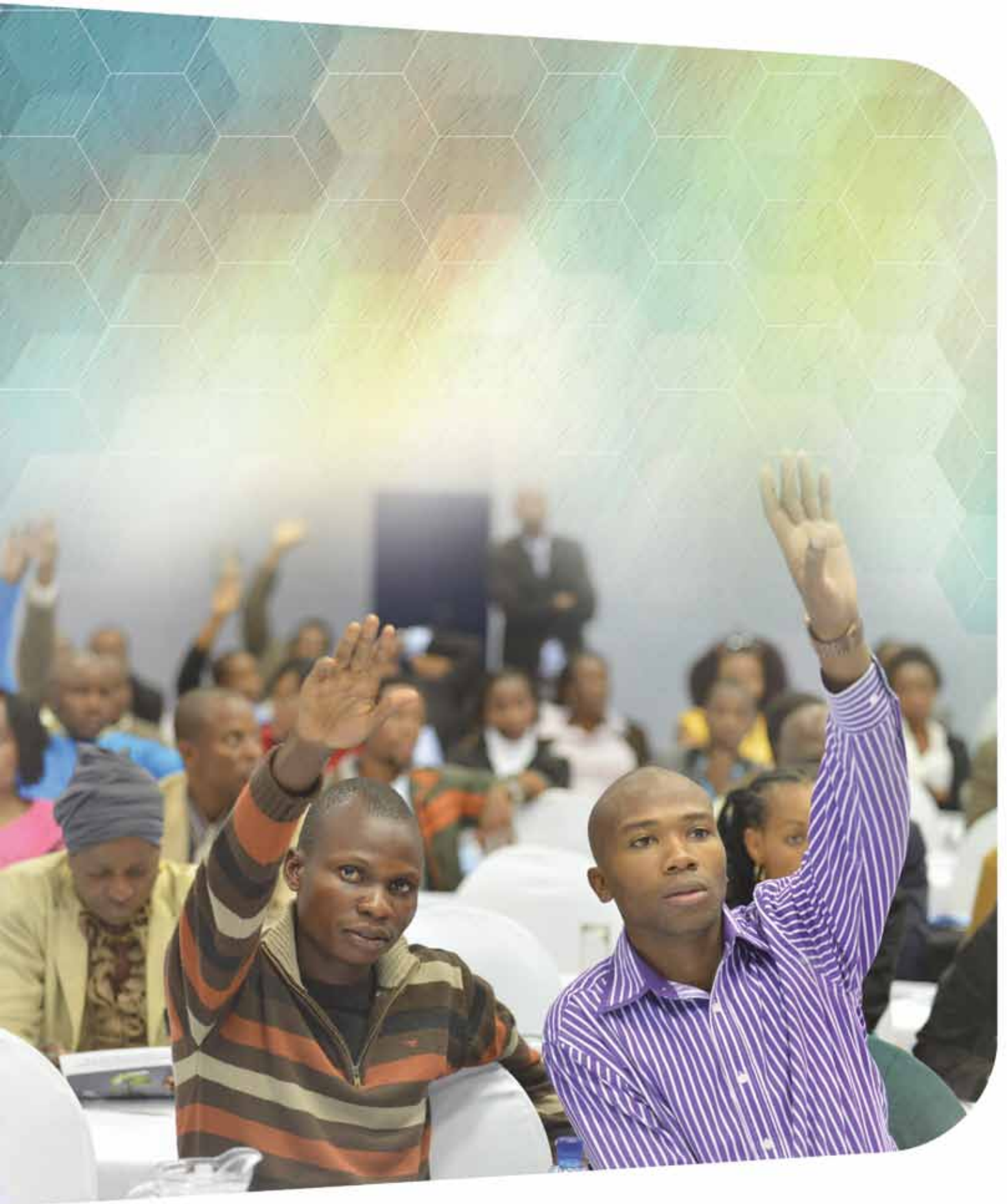
Enhancing Service Delivery

THE QUALITY MANAGEMENT SYSTEM - BOS ISO 9001:2008 CERTIFICATION

The pervasive phenomenon of globalisation entails the interconnectivity of the people of the world into a global village. Standardisation and quality assurance by default becomes a substantive feature of any organisation for survival. LEA has committed itself to delivering a quality service to its customers. The Quality Management System (QMS) has thus become an integral part in how LEA carries out its mandate. In order to extract maximum beneficitation from the QMS, and to build trust and confidence from all stakeholders, certification of the system is necessary. Given the widespread network of LEA offices, the need for consistency and quality delivery to ensure sustainability is vital in this competitive global world. Certification of the LEA's QMS against the BOS ISO 9001:2008 standard is indicative of LEA's commitment to customer satisfaction through documented processes and the zeal for continual improvement.

In order to ensure continuous effective implementation of the QMS, LEA is subjected to regular surveillance audits as part of certification monitoring. The recommendations for continued certification, accompanied by the feedback from clients are a morale booster as it shows that the systems put in place are relevant and alive to the needs of customers.





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LOCAL ENTERPRISE AUTHORITY



LEA Clients' Highlights

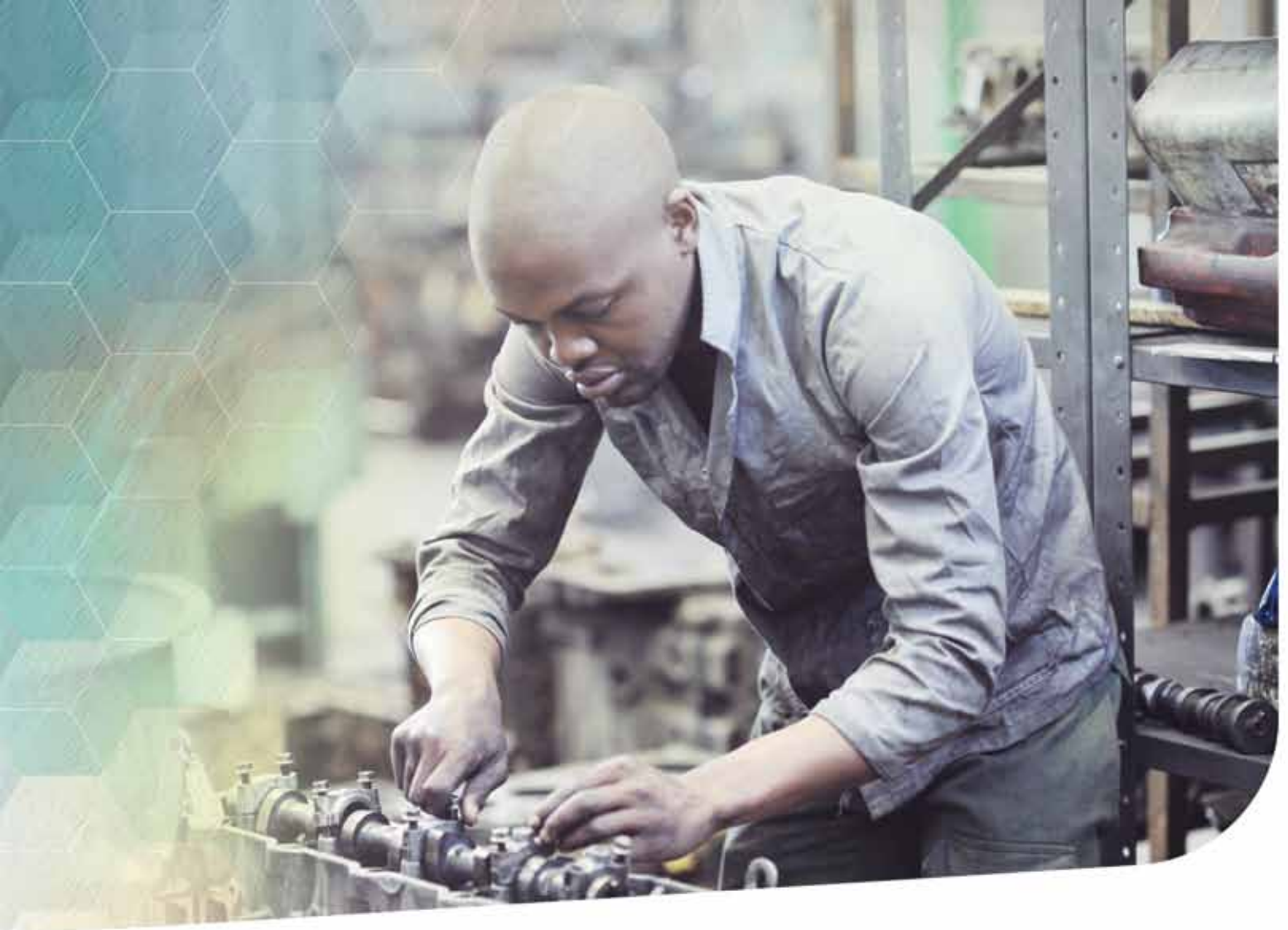
◆ SPRUCE FARM

Background

A motivating and young entrepreneur of vegetable production, Mr Deboyson Mathe is the sole owner of the Spruce Farm based near Masunga. He started his business operation in 2012. Through the assistance of LEA, coupled with the commitment, dedication and cooperation of the client, the entrepreneur was funded by the National Development Bank (NDB). In 2014, the client was funded by the Department of Youth to buy a tunnel. The business employs three people, and produces a variety of vegetables such as green pepper, tomatoes, and pumpkins on a 6.7 hectare (ha) field. The business' market comprises Masunga Choppies Supermarket, Tutume Choppies Supermarket, Francistown Spar and members of the public.

Relationship with LEA

The client joined LEA in 2008, and has since received various training interventions such as Sales and Marketing, Principles of Irrigation, Taxation, Entrepreneurship Development training and Horticulture Techniques. He has also attended events organized by LEA such as Market Day and the SMME Pitso and Buyer Seminars.



◆ KGOSITAO ENGINEERING (Pty) Ltd

Background

Kgositao Engineering (Pty) Ltd is a locally registered company wholly owned by Mr Captain Seetelo Kgositao. The company was incorporated in 2002 and started operating in Kanye in 2006. Kgositao Engineering (Pty) Ltd expanded to Gaborone in 2012 after acquiring a CEDA loan. The business currently employs ten people and specializes in crank shaft grinding, engine re-conditioning, re-sleeving engine blocks and repairing tractors and ploughs.

Relationship with LEA

Kgositao Engineering (Pty) Ltd registered with LEA in 2007. LEA advocated for the client to be allocated a business plot in Kanye. This was achieved by lobbying and assisting in presentations to demonstrate the business viability and how the allocation will ultimately benefit the economy of the region. He was assisted with business plan preparation for business expansion, and received funding for expansion. He is currently being assisted with a Joint Venture consultancy intervention. The client has attended training courses in Business Management, Productivity and Quality Awareness, Sales and Marketing, as well as a workshop on Economic Diversification Drive initiative.



◆ P J FURNISHERS (PTY) LTD

Background

P J Furnishers (Pty) Ltd is located in Monarch, in the city of Francistown. The company is owned by Mr. Piniel Jackson, who has been a carpenter since 1972, but formally registered the business in 2008. The business currently employs seven full time employees.

The core business of P J Furnishers is to manufacture furniture and fittings such as wardrobes, headboards, fitted kitchen units, dining room suites and office furniture. PJ Furnishers also specializes in bespoke furnishings.

Relationship with LEA

As a LEA client since 2008, the client has received LEA training interventions including Entrepreneurship Development Training, Sales and Marketing and Branding, Packaging and Labeling awareness. In addition, the client has also attended the Procurement Workshop, as well as exhibited at the BOCCIM Northern Trade Fair and the SMME Pitso and Buyer Seminar.



◆ DIKUKAMA HOTEL

Background

Maggie Stoffel is the owner of Dikukama Hotel located in Tsabong. The business was self-financed and started operations in 2003 as a guesthouse. It has grown from a guesthouse to a fully-fledged hotel that employs eight people.

Dikukama Hotel offers lavish accommodation and comprises of sixteen (16) rooms including four (4) executive rooms, one (1) twin bed and eleven (11) standard rooms. The establishment provides breakfast, lunch and dinner. It has conference facilities and a restaurant with a capacity of 50. The Hotel is perfectly situated to afford guests an opportunity to easily explore the desert.

Relationship with LEA

Stoffel registered with LEA in 2007, and has since received the training interventions such as Entrepreneurship Development, Improve your business, Business Planning, Branding, packaging and labeling awareness, Business Coaching, Bookkeeping and Business Monitoring, all of which have raised the profile of her establishment.



◆ THIPAMPENG (Pty) Ltd

Background

Thipampeng (Pty) Ltd was incorporated in July 2000. It is an abattoir that provides excellent slaughter service for retail chain shops, butcheries, restaurants and institutions including the Botswana Defense Force, Botswana Prisons, and the University of Botswana.

The project began in 1995 in Morwa, Kgatleng, slaughtering animals in temporary shelters made of corrugated iron, with minimal hygiene standards. The establishment has grown over the years and now boasts of a slaughter shelter with good hygiene standards, good waste management practices and pollution control measures. The business employs 14 people, and this growth has attracted reputable clients from several butcheries and retail chains. There has been gradual growth in operations and the business has a subsidiary in Lobatse named Monowe Abattoirs (Pty) Ltd, which employs more than 15 people. Thipampeng has received funding from CEDA with a view to further diversifying into the processing and export of beef.

Relationship with LEA

The client registered with LEA in 2007 and has received training interventions such as Essentials of management, Business Planning and Management, On site records keeping, Improve your business, Budgeting Costing and Pricing, Quality and Productivity Awareness, as well as assistance with business plan submission to access funding.



◆ HONEY BEE RECREATIONAL CLUB t/a LEMEPE LODGE AND CONFERENCE CENTRE

Background

Lemepe is a hospitality enterprise in Molepolole which provides accommodation, conferencing, camping facilities, catering and recreational facilities. It was established in 2001 by Mr and Mrs Motlhabani. It began with 5 guestrooms and has since expanded to twenty-two rooms and a VIP lounge, with forty-seven employees.

Relationship with LEA

Lemepe Lodge registered with LEA in 2007 as an existing business. LEA realizing the commitment of the owners, provided the following interventions: Technology Audit, Sales and Marketing, Customer Service, Cost and Inventory Management, Quality and Productivity Awareness and Quality Implementation. Lemepe has also enjoyed exposure by attending the Botswana SMME Conference and Fairs organized by LEA. Expansion plans continue as the client is currently erecting a bigger conference room with a capacity of 500 people.



◆ DREAMS SAFARIS

Background

Dreams Safaris is a mobile safari company owned by Mr. Setaung Mist Setaung and Mr. Matlhale Setuang. The business started operations in 2008 in Kasane and currently employs four people. Dreams Safaris provides mobile safari services mainly along the Chobe, Linyanti, Savuti and Moremi route, and as far as Maun. Game drives are done mainly in the Chobe National Park. The company also provides boat cruise activities in the Chobe River. The company's clientele are both international and local tourists.

Relationship with LEA

The company's relationship with LEA started in 2008, when the promoters enrolled with the organisation. During its early days with LEA, Dreams Safaris was assisted to participate in the Itsose programme, where Mr. Setaung Setaung, on behalf of the company was trained in business proposal preparation. The client succeeded in attaining a loan from First National Bank (FNB) and bought a 12-seater boat. Over time, the company has been trained in Budgeting, Costing and Pricing, Customer Care and Sales and Marketing.



◆ CATHY'S FASHIONS (PTY) LTD

Background

Cathy's Fashions (Pty) Ltd is a manufacturing company specializing in clothing design. The business is owned by Catherine Tlhabano with vast experience in the manufacturing of fashion wear, bedding, corporate wear and protective clothing. The client also manufactures hot bags, which are thermally insulated bags designed to retain the heat of cooked food or hot beverages for a longer period. Currently employing five people, the company commenced operations in 1999, in the mining town of Selebi Phikwe, and has received various awards for its service excellence.

Relationship with LEA

The business was registered with LEA in 2007, and has received several interventions such as attendance of trade fairs such as the BOCCIM Northern Trade Fair, Public Procurement and Asset Disposal Board (PPADB) and Economic Diversification Drive (EDD) certification workshops. The client was also trained in Record Keeping, Business Management, Sales and Marketing, business coaching and mentoring.



◆ KARINA BIMBO

Background

A small stock business focusing mainly on goat production, it started operating in 2008 in Ghanzi, under the stewardship of Mrs. Karina Bimbo. The business was funded by the Department of Youth and refinanced by CEDA to expand. The business employs four people including the owner.

Relationship with LEA

The client registered with LEA in 2008 and has been assisted with business plan finalization and access to finance. She has also exhibited at the Ghanzi Agricultural Show and the Botswana SMME Conference and Fair in 2009.



◆ CASESI BAKERY

Background

Casesi Bakery, owned by Ms Caroline Lesang, started operations in 2007 in Lobatse. It has since grown significantly to supply shops and schools in Lobatse, the Southern and Borolong District Councils, and has recently started supplying institutions in Gaborone. The business currently employs forty people.

Relationship with LEA

Since the business registered with LEA in 2008, the promoter attended training courses such as in Entrepreneurship Development and Improve Your Business, and has been assisted to access funds. Currently, Casesi Bakery is undergoing process certification with the Botswana Bureau of Standards (BOBS).



LEA and its Human Resources

The LEA people strategy is committed to attracting and retaining personnel that possess the competencies and skills required for the successful delivery of the LEA mandate. As a demonstration of this commitment, during the third quarter of the year, the Authority started the implementation of the Staff Engagement Action Plans namely; Management Information, Commitment and Change Management. These action plans were rolled out to all LEA staff. The Action Plans were as a result of the Staff Engagement Survey that was conducted in August 2012, in order to gauge the level of commitment, morale and employee satisfaction within the Authority.

The Authority's staff complement stood at 300 as at March 31, 2014 a decrease of 3.8% from the March 2013 figure of 312. The Authority continues to struggle to retain and attract competent staff resulting in staff turnover of 11.3% for the year 2013/2014. LEA continues to lose critical skills and experienced personnel which affects delivery of the LEA mandate. LEA's high staff turnover, coupled with the gross inability to attract experienced personnel remains a challenge which is caused mainly by remuneration packages that are far below the LEA Pay Policy.

NURTURING LEADERSHIP

In assessing implementation progress of the people strategy, the Authority is cognisant of the fact that effectiveness of the strategy also depends on people management. The leadership training is geared towards equipping management with the right leadership skills as well as to nurture talent. The Authority has trained its Managers in Leadership and Management Development Program, and its Executive Committee on Leadership and Competency Development.

Staff Development

During the year under review, the Authority trained its employees in various technical trainings with emphasis on client facing staff. Such trainings include the Small Business Consultancy, Food and Vegetable Processing, Enterprise Content Management, Quality Management System, Project Management and Safety and Health in the Workplace. The LEA also encourages its employees to develop their skills and professionalism in a variety of ways. To this end, the Authority continues to advance study loans to staff in order to undergo part-time studying.

STAFF WELFARE

The Authority continues to provide counselling services to its employees through the University of Botswana Counselling Services. The purpose of this counselling is to provide holistic voluntary employee counselling and support on work related issues, emotional and psycho-social challenges to assist LEA employees to deal with life challenges. Over the past twelve months, the number of job related issues have declined as compared to the previous year. The change is highly attributed to the leadership training offered to the Managers.

The Authority held its first successful Service Awards ceremony in December 2013. A total of 156 staff members were awarded “+5years service awards” as recognition for their continued service to the Authority.

EMPLOYEE RELATIONS

The signing of the Recognition Agreement with Botswana Public Employees Union (BOPEU) has to date not been finalized. The Recognition Agreement will regulate the relations between the Authority and the Union. Despite the pending signing of the Agreement, the Authority continues to work closely with BOPEU in order to promote sound and healthy industrial relations within the Authority.

LEA CORPORATE SOCIAL INVESTMENT INITIATIVES

The Local Enterprise Authority continues to show its commitment to the people of Botswana through its Corporate Social Investment initiative. In upholding the Vision 2016 pillar of a Compassionate, Just and Caring Nation, the Local Enterprise Authority heeded the call through the Ministry of Education and Skills Development to adopt a school.

The adoption of Mpiti Primary School in Matobo emphasizes LEA’s commitment to contribute towards uplifting the pupils’ educational performance and ensuring their success throughout the learning process. The Authority has adopted the school for a period of three years, commencing September 2013. LEA hosted the school’s prize giving ceremony and celebrated both teachers and students success, and gave away prizes valued at P70, 000.00.

BRANCH NETWORK PROJECTS

The LEA Molepolole branch, through individual contributions from staff members, handed over food, clothes, beds and other household goods to a family in Morabane in November, 2013. This initiative indicates that LEA as an organisation is prepared to go beyond its core mandate, and assist the needy members of society that LEA operates in.

LEA Branch & Incubator Network

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Fax: (267) 2416242

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Fax: (267) 3957858

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Ghanzi
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Fax: (267) 6597174

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KASANE

Hunters Africa Complex
Plot 2208
Unit 14
Private Bag K3
Kasane
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Fax: (267) 6250448

MASUNGA

Along main road to Masunga Primary
Hospital
Next to CTO Filling Station
Private Bag 006
Masunga
Botswana
Tel: (267) 2489803
Fax: (267) 2489807

MAUN

New Mall near Airport
Plot 105
Private Bag 64
Maun
Botswana
Tel: (267) 6863146
Fax: (267) 6863166

MOCHUDI

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Mochudi
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Fax: (267) 5777688

MOLEPOLOLE

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Molepolole
Botswana
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Fax: (267) 5921011

RAMOTSWA

Goora Dimpe Ward
Plot 2142
Private Bag 0012
Ramotswa
Botswana
Tel: (267) 5391075
Fax: (267) 5391078

SELIBI-PHIKWE

North Road opposite Bosele Hotel
Plot 6585
Private Bag 0069
Selebi Phikwe
Botswana
Tel: (267) 2613160
Fax: (267) 2603165/6

SEROWE

Corner Orapa Road
Plot 2200
Private Bag 40
Serowe
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Tel: (267) 4632071
Fax: (267) 4632074

TSABONG

Old IFS Building
Behind New Magistrate Court
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Tsabong
Botswana
Tel: (267) 6540196
Fax: (267) 6540198

INCUBATORS FRANCISTOWN INDUSTRIAL BUSINESS INCUBATOR

Light Industrial Area
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Fax: (267) 2418027

GABORONE LEATHER INDUSTRIES INCUBATOR

Old Bedu Station, Macheng Way
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Tel: (267) 3105330
Fax: (267) 3105334

GLEN VALLEY HORTICULTURE INCUBATOR

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Botswana
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Fax: (267) 3186437

PILANE MULTI PURPOSE INCUBATOR

Pilane Old Industrial
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Mochudi
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Fax: (267) 5729178

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PO Box 294
Gaborone
Botswana
Tel: 3952011
Fax: 3973901



KEY

 SELEBI PHIKWE

 GHANZI

 KWENENG - MOLEPOLOLE

 CHOBE - KASANE

 NORTH WEST - MASUNGA

 NORTH WEST - MAUN

 CENTRAL - SEROWE

 FRANCISTOWN

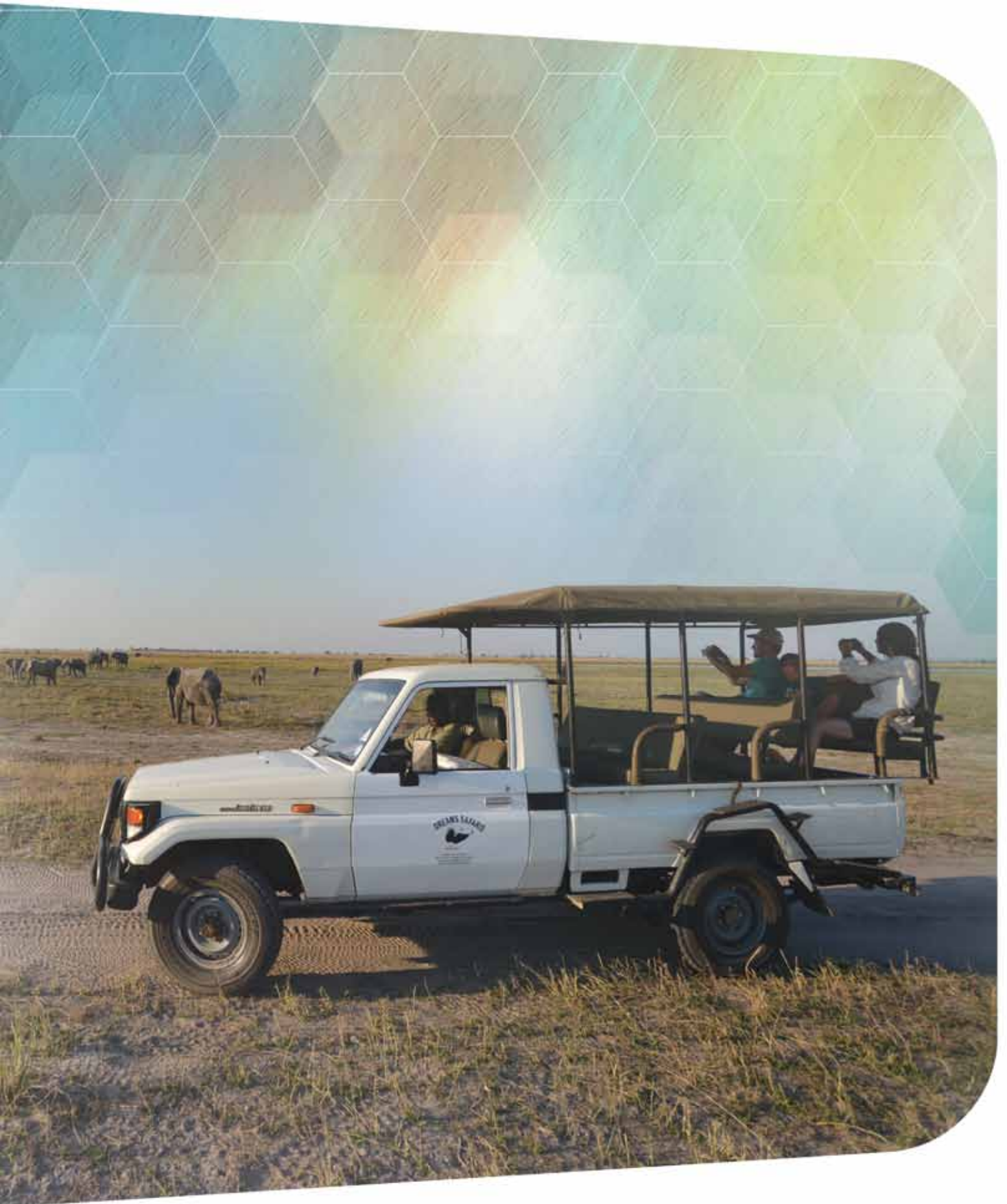
 SOUTH EAST - RAMOTSWA

 SOUTHERN - KANYE

 GABORONE

 KGALAGADI - TSABONG

 KGATLENG - MOCHUDI



LEA

LOCAL ENTERPRISE AUTHORITY



Annual Financial **Statement**
for the year ended 31 March 2014

Authority **Information** for the year ended 31 March 2014

Business operations	>	To promote and facilitate entrepreneurship and enterprise development in Botswana through targeted interventions
Authority registration	>	The authority was incorporated under the Small Business Act No. 7 of 2004
Registered address	>	2nd Floor, Block A, Plot 50676 Fairgrounds Office Park Gaborone
Postal address	>	Private Bag 191 Gaborone
Auditors	>	PricewaterhouseCoopers
Bankers	>	Standard Chartered Bank Botswana Limited First National Bank of Botswana Limited Barclays Bank of Botswana Limited

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Statement of responsibility by the Members of the Board

Members of the Board

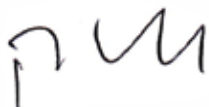
The Board Members of the Local Enterprise Authority are responsible for the annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Small Business Act Botswana (Cap. 25).

The authority maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of authority assets. The Board Members are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the Board Members to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. The Board Members have no reason to believe that the authority will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Our external auditors conduct an examination of the financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Board Members.

The financial statements set out on pages 62 to 91 and the supplementary information on annexure I to III were authorised for issue in accordance with a resolution of the Members of the Board on 29 August 2014 and are signed on their behalf by:



Chairman



Chief Executive office

Report of the Independent Auditors



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCAL ENTERPRISE AUTHORITY

Report on the financial statements

We have audited the accompanying annual financial statements of Local Enterprise Authority, which comprises the statement of financial position as at 31 March 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 62 to 91.

Members' Responsibility for the Financial Statements

The members are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material

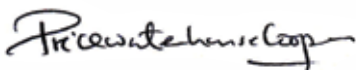
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCAL ENTERPRISE AUTHORITY (Continued)

misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of, the financial position of Local Enterprise Authority as at 31 March 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Individual practicing member: **Butler Phirie**

Membership number: 19900312

Gaborone

Date: 2014 -09- 12

LOCAL ENTERPRISE AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2014

	Notes	2014 P	2013 P Restated
Revenue grants		134,000,000	70,008,200
Amortisation of capital grants	4	6,999,029	8,782,205
Other operating income	4	3,760,833	5,138,434
Recurrent expenditure	4	<u>(142,389,858)</u>	<u>(144,755,694)</u>
Operating surplus/(deficit)		2,370,004	(60,826,855)
Finance income	6	<u>901,390</u>	<u>1,831,565</u>
Net surplus/(deficit) for the year		3,271,394	(58,995,290)
Other comprehensive income		-	-
Total comprehensive surplus/(deficit) for the year		<u>3,271,394</u>	<u>(58,995,290)</u>

LOCAL ENTERPRISE AUTHORITY

STATEMENT OF FINANCIAL POSITION as at 31 March 2014

	Notes	2014 P	2013 P Restated	2012 P Restated
ASSETS				
Non-current assets				
Property, plant and equipment	9	80,520,264	84,822,539	92,152,294
Intangible assets	10	-	3,441,231	6,894,157
		<u>80,520,264</u>	<u>88,263,770</u>	<u>99,046,451</u>
Current assets				
Receivables and prepayments	11	11,040,571	8,258,154	20,775,090
Cash and cash equivalents	12	10,863,516	3,990,939	60,923,361
		<u>21,904,087</u>	<u>12,249,093</u>	<u>81,698,451</u>
Total assets		<u><u>102,424,351</u></u>	<u><u>100,512,863</u></u>	<u><u>180,744,902</u></u>
FUNDS AND LIABILITIES				
Funds				
Accumulated (deficit) / surplus	13	<u>(69,900)</u>	<u>(3,341,294)</u>	<u>55,653,996</u>
Non-current liabilities				
Capital grants	14	<u>81,706,250</u>	<u>88,705,279</u>	<u>97,487,484</u>
Current liabilities				
Trade and other accounts payable	15	17,574,078	13,330,525	24,347,499
Borrowings	16	3,213,923	1,818,353	3,255,923
Total liabilities		<u>20,788,001</u>	<u>15,148,878</u>	<u>27,603,422</u>
Total funds and liabilities		<u><u>102,424,351</u></u>	<u><u>100,512,863</u></u>	<u><u>180,744,902</u></u>

LOCAL ENTERPRISE AUTHORITY

STATEMENT OF CHANGES IN FUNDS for the year ended 31 March 2014

	Accumulated Surplus/ (deficit) P
Balance at 31 March 2011 (restated)	60,931,378
For the year ended 31 March 2012	
Balance at 1 April 2011	60,931,378
Total comprehensive deficit for the year	(5,277,382)
Balance at 31 March 2012	55,653,996
For the year ended 31 March 2013	
Balance at 1 April 2012	55,653,996
Total comprehensive deficit for the year	(58,995,290)
Balance at 31 March 2013	(3,341,294)
For the year ended 31 March 2014	
Balance at 1 April 2013	(3,341,294)
Total comprehensive surplus for the year	3,271,394
Balance at 31 March 2014	(69,900)

LOCAL ENTERPRISE AUTHORITY

STATEMENT OF CASH FLOWS for the year ended 31 March 2014

	Notes	2014 P	2013 P Restated
Operating surplus/(deficit) for the year		2,370,004	(60,826,855)
Adjusted for:			
Non cash items			
Depreciation of Property, plant and equipment	9	6,661,314	10,062,387
Amortisation of capital grants	14	(6,999,029)	(8,782,205)
Amortisation of intangible assets	10	3,441,231	3,452,926
Changes in working capital			
Receivables and prepayments		(2,782,417)	12,516,936
Trade and other accounts payable		4,243,553	(11,016,974)
		<u>6,934,656</u>	<u>(54,593,785)</u>
Foreign exchange gain	6	74,969	47,485
Net cash generated/used in operating activities		<u>7,009,625</u>	<u>(54,546,300)</u>
Cash flows from investing activities			
Interest received	6	826,421	1,784,080
Acquisition of property, plant and equipment	9	(2,441,541)	(2,732,632)
Transfer of property, plant and equipment	9	82,502	-
Net cash used in investing activities		<u>(1,532,618)</u>	<u>(948,552)</u>
Net increase/ (decrease) in cash and cash equivalents		5,477,007	(55,494,852)
Cash and cash equivalents at beginning of year		<u>2,172,586</u>	<u>57,667,438</u>
Cash and cash equivalents at end of year	12	<u><u>7,649,593</u></u>	<u><u>2,172,586</u></u>

LOCAL ENTERPRISE AUTHORITY

SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2014

General information

Local Enterprise Authority carries on the business to promote and facilitate entrepreneurship and enterprise development in Botswana through targeted interventions. The entity is an authority, a government parastatal, incorporated and domiciled in Botswana. The address of its registered office is 2nd floor; Block A, Plot 50676, Fairgrounds Office Park, Gaborone. The financial statements set out on pages 62 to 91 have been approved by the Members of the Board on 29 August 2014.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements of Local Enterprise Authority have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the authority's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the "Critical accounting estimates and assumptions" section of the financial statements.

i) New and amended standards adopted by the authority

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2013 that would be expected to have a material impact on the authority.

ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the authority, except the following set out below:

1.1 Basis of preparation (continued)

ii) New standards and interpretations not yet adopted (continued)

Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The authority is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The authority will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the authority.

LOCAL ENTERPRISE AUTHORITY

SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2014

1.2 Property, plant and equipment

All property, plant and equipment are included at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to their residual values over their estimated useful lives as follows:

Land and buildings	40 years
Leasehold improvement	5 years
Plant and equipment	4 years
Furniture and fittings	10 years
Office equipment	5 years
Motor vehicles	4 years
Computer equipment	4 years
Library books	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses) in the statement of comprehensive income.

1.3 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.4 Financial assets

1.4.1 Classification

The authority classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The authority's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 1.5 and 1.6).

1.4 Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

There are no financial assets classified as fair value through profit or loss and available-for-sale at the reporting date.

1.4.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the authority commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Loans and receivables are carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the authority has transferred substantially all risks and rewards of ownership.

1.4.3 Impairment of financial assets

The authority assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 1.5.

LOCAL ENTERPRISE AUTHORITY

SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2014

1.4 Financial assets (continued)

1.4.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.5 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the authority will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income.

When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the income.

1.6 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.7 Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the authority.

1.7 Government grants (continued)

Grants relating to the acquisition of property, plant and equipment are credited to other comprehensive income on a straight line basis over the expected useful lives of the related assets. The related assets are shown at cost less accumulated depreciation. When an asset financed through capital grants is disposed of, the total unamortised portion of the capital grant relating to the asset is credited to the statement of comprehensive income in the year of disposal.

Operating grants are recognised in the statement of comprehensive income in the period in which the related expenditure is incurred. Grants received for which the related project have not commenced are included in current liabilities as deferred income.

1.8 Provisions

Provisions claims are recognised when, the authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

1.9 Trade accounts payable

Trade accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Botswana Pula, which is the authority's functional and the presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other (losses)/gains'.

1.11 Revenue recognition

Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will

be received and the authority will comply with all attached conditions. Grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate. Grants relating to property, plant and equipment are included in funds as capital grants and are credited to the statement of comprehensive income on a straight line basis over the expected useful lives of the related assets. The related assets are shown at cost less accumulated depreciation.

Sale of services

The authority sells training and resource centre services. These services are provided generally as fixed price.

Sale of services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

LOCAL ENTERPRISE AUTHORITY

SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2014

1.11 Revenue recognition (continued)

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the authority reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Operating lease rentals

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

1.12 Employee benefits

The authority contributes to a defined contribution pension plan for its permanent citizen employees. The authority contributions are charged to statement of comprehensive income in the year which they accrue and the authority has no further liability.

A defined contribution plan is a pension plan under which the authority pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions, if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

For employees who are on contracts, the authority pays gratuity in accordance with the respective contracts of employment.

1.13 Current and deferred income tax

The authority is exempt from tax in terms of the second schedule (chapter 52.01) of the Income Tax Act of 1995 as amended.

1.14 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made / income received under operating leases (net of any incentives received from the lessor) is charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

1.15 Intangible assets (continued)

An intangible asset is recognised when:

- ◇ it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- ◇ the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets amortisation is provided on a straight line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	4 years

2. Financial risk management

2.1 Financial risk factors

The authority's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the authority's financial performance. Risk management is carried out under policies approved by the members of the Board.

(a) Market risk

(i) Cash flow and fair value interest rate risk

As the authority has neither significant interest bearing assets nor variable interest bearing liabilities, the authority's income and operating cash flows are substantially independent from changes in market interest rates.

(ii) Other price risk

The authority is not exposed to other price risks such as equity price risk, commodity price risk, prepayment risk and residual value risk.

(iii) Foreign currency risk

The authority has USD denominated bank deposit as disclosed in note 8.3. Management has conducted stress tests on the year-end exchange rate between the USD and Pula based on 5% fluctuation and concluded that there is no significant impact on the authority's income.

(b) Credit risk

Financial assets of the authority, which are subject to credit risk, consist mainly of cash and cash equivalents, deposits with banks and financial institutions and SMME customers. Cash deposits are held with high-credit-quality financial institutions. The credit quality of the customers is assessed by credit control, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings. The utilisation of credit limits is regularly monitored. Sales to SMME customers are settled mainly in cash, cheques or bank transfers.

The credit quality of financial assets is disclosed in Note 8.2.

2. Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying operations due to their short term nature, management of the authority aims to maintain flexibility in funding by keeping committed credit lines available.

The authority's financial liabilities as given in the table below consist of accounts payable and borrowings. The analysis of financial liabilities into relevant maturity groupings are based on the remaining period at the reporting to the contractual maturity date.

	Less than 1 year	More than 1 year and Less than 7 years	Total
	P	P	P
At 31 March 2014			
Accounts Payable	436,300	4,921,416	5,357,716
Borrowings	3,213,923	-	3,213,913
At 31 March 2013			
Accounts Payable	1,751,352	3,896,317	5,647,669
Borrowings	1,818,353	-	1,818,353

2.2 Capital risk management

The authority is a Government organisation with the main object being to promote and facilitate entrepreneurship and SMME development. As such all operations of the authority are funded by Government and therefore not subject to capital risk.

2.3 Fair value estimation of financial instruments

Financial instruments consist of trade receivables, bank and cash balances and other accounts payables resulting from normal business operations. The nominal value less impairment provision of trade receivables and accounts payable are assumed to approximate their fair values. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within financial year are discussed below.

Impairment loss on debtors

The authority reviews its receivables to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the authority makes judgments 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 value and useful lives of property, plant and equipment and intangible assets

The authority determines the estimated useful lives and related depreciation charges for its property, plant and

3.1 Critical accounting estimates and assumptions (continued)

Residual value and useful lives of property, plant and equipment and intangible assets (continued)

equipment and intangible assets. This estimate is based on projections about the continued existence of a market for its services and intangibles and the ability of the authority to penetrate a sufficient portion of that market in order to operate effectively. The authority increases the depreciation charge where the useful lives are less than previously estimated, or it will appropriately impair technically obsolete or non-strategic assets that have been abandoned or identified for sale.

Residual values are based on current estimates of the value of these assets at the end of their useful lives.

LOCAL ENTERPRISE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2014

4 Surplus/(deficit) for the year

	2014 P	2013 P
The following items have been credited/charged in arriving at the net surplus/ (deficit) for the year:		
(i) Annual government subvention	134,000,000	70,008,200
(ii) Amortisation of government grants	6,999,029	8,782,205
(iii) Other operating income		
Profit on disposal of property, plant and equipment	120,250	-
Rental income	1,352,813	2,675,595
SMME conference and fair income	70,500	718,741
Sundry income	1,409,445	840,209
Telephone recoveries	615,710	712,213
Tender fees	57,600	23,653
Training and resource centre income	134,515	168,023
	3,760,833	5,138,434
(iii) Expenses by nature		
Amortisation of intangible assets	(3,441,231)	(3,452,926)
Auditors' remuneration - current year	(262,977)	(304,147)
Board sitting allowance	(119,847)	(169,462)
Business travel, accommodation and allowances	(2,533,558)	(3,106,982)
Computer expenses	(4,809,941)	(4,838,480)
Consultancy fees	(1,305,006)	(4,275,229)
Depreciation of property, plant and equipment (Note 9)	(6,661,314)	(10,062,387)
Doubtful debts	(107,115)	(1,317,466)
Insurance	(1,971,825)	(2,447,479)
Legal fees	(114,258)	(121,201)
Operating lease rentals	(10,552,463)	(9,872,162)
Remuneration paid to senior management	(4,906,101)	(3,830,353)
Repairs and maintenance	(2,140,678)	(1,594,749)
Seminars, retreat and conference costs	(1,543,139)	(1,797,464)
Staff costs (Note 5)	(80,555,756)	(73,915,979)
Staff training	(1,091,909)	(1,203,544)
Staff welfare	(1,466,814)	(1,981,315)
Telephone, mobile and fax	(6,135,691)	(6,408,988)
Write back of receivables	1,350	344,748
Other expenses	(12,671,585)	(14,400,129)
	(142,389,858)	(144,755,694)
5 Staff costs		
Salaries and wages	70,694,817	64,689,042
Pension costs	5,483,045	5,450,157
Staff gratuity	4,377,894	3,776,780
	80,555,756	73,915,979
Average number of employees	308	312

LOCAL ENTERPRISE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

6 Finance income	2014	2013
	P	P
Foreign exchange gain	74,969	47,485
Interest on bank deposits	<u>826,421</u>	<u>1,784,080</u>
	<u><u>901,390</u></u>	<u><u>1,831,565</u></u>

7 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.

8 Financial instruments

8.1 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables
	P
31 March 2014	
Assets as per the statement of financial position	
Trade and other receivables excluding prepayments	7,932,941
Cash at bank	<u>10,849,871</u>
	<u>18,782,812</u>
	Other financial liabilities
	P
Liabilities as per the statement of financial position	
Trade and other accounts payable excluding statutory liability	17,574,078
Borrowings	<u>3,213,923</u>
	<u>20,788,001</u>
	Loans and receivables
	P
31 March 2013	
Assets as per the statement of financial position	
Trade and other receivables excluding prepayments	8,258,154
Cash at bank	<u>3,974,930</u>
	<u>12,233,084</u>

LOCAL ENTERPRISE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2014

8.1 Financial instruments by category (continued)

31 March 2013	Other financial liabilities
	P
Liabilities as per the statement of financial position	
Trade and other accounts payable excluding statutory liability	13,330,525
Borrowings	1,818,353
	<u>15,148,878</u>

8.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

		2014	2013
		P	P
Trade and other receivables excluding prepayments	Rating		
New customers		-	1,002,208
Existing customers with minor or no history of default		-	16,288
Deposits	Not rated	4,906,977	4,804,158
Other receivables	Not rated	1,978,344	1,512,917
		<u>6,885,321</u>	<u>7,335,571</u>
Cash at bank	Rating		
Standard Chartered Bank Botswana Limited	Not rated	4,442,848	1,803,220
First National Bank of Botswana Limited	Not rated	5,924,858	1,526,708
Barclays Bank of Botswana Limited	Not rated	480,737	404,918
African Alliance Limited	Not rated	1,428	93,147
		<u>10,849,871</u>	<u>3,827,993</u>

There are no credit ratings available for financial institutions in Botswana. The above banks are listed companies and have reported sound financial results and continued compliance with minimum capital adequacy requirement set by the regulator. None of the financial assets that are fully performing has been renegotiated during the year.

8.3 The Authority's exposure to foreign currency risk is analysed below;

All amounts in Botswana Pula

As at 31 March 2014

	Botswana Pula	US Dollars	Total
Trade and other receivables excluding prepayments	7,932,941	-	7,932,941
Cash and cash equivalents	10,764,778	85,093	10,849,871
	<u>18,697,719</u>	<u>85,093</u>	<u>18,782,812</u>
Borrowings	3,213,923	-	3,213,923
Trade and other accounts payable	17,574,078	-	17,574,078
	<u>20,788,001</u>	<u>-</u>	<u>20,788,001</u>

LOCAL ENTERPRISE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2014

8.3 The Authority's exposure to foreign currency risk is analysed below (continued);

All amounts in Botswana Pula

As at 31 March 2013

	Botswana Pula	US Dollars	Total
Trade and other receivables excluding prepayments	8,258,154	-	8,258,154
Cash and cash equivalents	3,889,812	85,118	3,974,930
	<u>12,147,966</u>	<u>85,118</u>	<u>12,233,084</u>
Borrowings	3,255,923	-	-
Trade and other accounts payable	24,347,499	-	24,347,499
	<u>27,603,422</u>	<u>24,347,499</u>	<u>3,255,923</u>

LOCAL ENTERPRISE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

9 Property, plant and equipment

Year ended 31 March 2014

	Land and buildings	Leasehold improvements	Plant and equipment	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Library books	Total
	P	P	P	P	P	P	P	P	P
Net book amount at beginning of year	71,872,318	1,530,611	1,297,623	3,570,457	937,633	113,926	5,436,333	63,638	84,822,539
Additions	38,520	-	-	12,400	74,163	1,737,352	574,106	5,000	2,441,541
Depreciation	(1,931,025)	(399,910)	(795,449)	(651,014)	(380,734)	(367,128)	(2,103,650)	(32,404)	(6,661,314)
Disposals	-	-	-	-	-	(399,572)	-	-	(399,572)
Depreciation on disposal	-	-	-	-	-	399,572	-	-	399,572
Transfer	-	(72,864)	(4,647)	(4,991)	-	-	-	-	(82,502)
Net book amount at end of year	69,979,813	1,057,837	497,527	2,926,852	631,062	1,484,150	3,906,789	36,234	80,520,264

As at 31 March 2014

Cost	77,324,739	15,172,711	3,393,044	6,509,755	5,829,438	20,751,952	18,626,217	326,082	147,933,938
Accumulated depreciation	(7,344,926)	-	-	-	-	-	-	-	-
Net book amount	69,979,813	15,172,711	3,393,044	6,509,755	5,829,438	20,751,952	18,626,217	326,082	147,933,938

Year ended 31 March 2013

Net book amount at beginning of year	72,148,047	2,823,003	2,001,134	4,164,424	1,584,439	1,314,644	8,081,470	35,133	92,152,294
Additions	1,642,497	50,375	117,517	53,655	221,062	-	594,115	53,411	2,732,632
Depreciation	(1,918,226)	(1,342,767)	(821,028)	(647,622)	(867,868)	(1,200,718)	(3,239,252)	(24,906)	(10,062,387)
Net book amount at end of year	71,872,318	1,530,611	1,297,623	3,570,457	937,633	113,926	5,436,333	63,638	84,822,539

As at 31 March 2013

Cost	77,286,219	15,245,575	3,397,691	6,502,346	5,755,274	19,414,172	18,052,112	321,082	145,974,471
Accumulated depreciation	(5,413,901)	(13,714,964)	(2,100,068)	(2,931,889)	(4,817,641)	(19,300,246)	(12,615,779)	(257,444)	(61,151,932)
Net book amount	71,872,318	1,530,611	1,297,623	3,570,457	937,633	113,926	5,436,333	63,638	84,822,539

As at 31 March 2012

Cost	75,643,722	15,195,200	3,280,174	6,448,691	5,534,212	19,414,172	17,457,997	267,671	143,241,839
Accumulated depreciation	(3,495,675)	(12,372,197)	(1,279,040)	(2,284,267)	(3,949,773)	(18,099,528)	(9,376,527)	(232,538)	(51,089,545)
Net book amount	72,148,047	2,823,003	2,001,134	4,164,424	1,584,439	1,314,644	8,081,470	35,133	92,152,294

LOCAL ENTERPRISE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2014

10 Intangible assets

	P
Year ended 31 March 2014	
Net book amount at beginning of year	3,441,231
Amortisation	<u>(3,441,231)</u>
Net book amount at end of year	<u><u>-</u></u>
As at 31 March 2014	
Cost	13,811,702
Accumulated depreciation	<u>(13,811,702)</u>
Net book amount	<u><u>-</u></u>
Year ended 31 March 2013	
Net book amount at beginning of year	6,894,157
Amortisation	<u>(3,452,926)</u>
Net book amount at end of year	<u><u>3,441,231</u></u>
As at 31 March 2013	
Cost	13,811,702
Accumulated depreciation	<u>(10,370,471)</u>
Net book amount	<u><u>3,441,231</u></u>
As at 31 March 2012	
Cost	13,811,702
Accumulated depreciation	<u>(6,917,545)</u>
Net book amount	<u><u>6,894,157</u></u>

Intangible assets comprise of software and license costs relating to computerised accounting packages and systems.

11 Receivables and prepayments

	2014 P	2013 P
Receivables	2,472,200	2,317,225
Provision for impairment	<u>(1,424,580)</u>	<u>(1,317,466)</u>
	1,047,620	999,759
Deposits and prepayments	8,014,607	5,745,478
Other receivables	<u>1,978,344</u>	<u>1,512,917</u>
	<u><u>11,040,571</u></u>	<u><u>8,258,154</u></u>

LOCAL ENTERPRISE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2014

11 Receivables and prepayments (continued)

The fair value of receivables are as follows:	2014	2013
	P	P
Receivables	1,047,620	999,759
Deposits and prepayments	8,014,607	5,745,478
Other receivables	1,978,344	1,512,917
	<u>11,040,571</u>	<u>8,258,154</u>

Receivables that are less than six months past due are not considered as impaired. As of 31 March 2014, receivables of P 823,595 (2013: P 842,565) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The age analysis of these receivables is as follows:

	2014	2013
	P	P
Up to 30 days	19,181	262,213
Between 31 and 60 days	75,655	235,583
Over 60 days	728,758	344,769
	<u>823,595</u>	<u>842,565</u>

The carrying amounts of receivables and prepayments are denominated in Botswana Pula.

As of 31 March 2014, trade receivables of P 1,424,481 (2013: P 1,317,466) were impaired and provided for in full as the recovery of these debtors were not expected to be significant. The aging of these receivables are as follows:

	2014	2013
	P	P
Over 120 days	<u>1,424,481</u>	<u>1,317,466</u>

Movement of the provision for impairment of receivables are as follows:

	2014	2013
	P	P
Balance at beginning of the year	1,317,366	1,465,794
Write off during the year	-	(1,465,794)
Current year provision	107,115	1,317,366
Balance at the end of year	<u>1,424,481</u>	<u>1,317,366</u>

LOCAL ENTERPRISE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2014

11 Receivables and prepayments (continued)

The creation and release of provision for impaired receivables have been included in administrative expenses in the statement of comprehensive income

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold collateral as security.

12 Cash and cash equivalents

	2014	2013
	P	P
Short term bank deposits – call account balances	10,186,755	3,221,312
Current account balances	663,116	753,618
Cash in hand	13,645	16,009
	<u>10,863,516</u>	<u>3,990,939</u>

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

	2014	2013
	P	P
Cash in hand	13,645	16,009
Bank deposits	10,849,871	3,974,930
Bank Overdraft (Note 16)	(3,213,923)	(1,818,353)
	<u>7,649,593</u>	<u>2,172,586</u>

13 Accumulated surplus

		Restated
Balance at beginning of year	(3,341,294)	55,653,996
Net deficit for the year	3,271,394	(58,995,290)
Balance at end of year	<u>(69,900)</u>	<u>(3,341,294)</u>

LOCAL ENTERPRISE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2014

14 Capital grants

	2014 P	2013 P
Balance at beginning of year	88,705,279	97,487,484
Amortisation for the year	<u>(6,999,029)</u>	<u>(8,782,205)</u>
Balance at end of year	<u><u>81,706,250</u></u>	<u><u>88,705,279</u></u>

Capital grants represent Government grants given to the Authority to finance the purchase of property, plant and equipment. Capital grants are transferred to the income statement in a manner that represents the economic benefits generated through the usage of the related assets. As at the reporting date, there were no unfulfilled conditions attached to the capital grants.

15 Trade and other accounts payable

	2014 P	2013 P
Trade accounts payable	5,357,716	5,647,671
Accruals	279,956	1,886,226
Provisions (Note 15.1)	<u>11,936,406</u>	<u>5,796,628</u>
	<u><u>17,574,078</u></u>	<u><u>13,330,525</u></u>

15.1 Provisions

	Gratuity P	Leave pay P	Total P
Balance at beginning of year	4,240,030	1,556,598	5,796,628
Provision for the year	4,377,894	6,646,574	11,024,469
Payments made during the year	<u>(3,450,969)</u>	<u>(1,433,722)</u>	<u>(4,884,691)</u>
Balance at end of year	<u><u>5,166,955</u></u>	<u><u>6,769,450</u></u>	<u><u>11,936,406</u></u>

LOCAL ENTERPRISE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2014

15.1 Provisions (continued)

Gratuity

Staff members who are on contracts receive terminal gratuities in accordance with their contracts of employment. An accrual is made for the estimated liability towards such employees up to the reporting date.

Leave pay

Paid absences are accounted for on an accrual basis over the period in which employees have provided services.

16 Borrowings

	2014	2013
	P	P
Current		
Bank overdraft	<u>3,213,923</u>	<u>1,818,353</u>

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

17 Events after the reporting period

The members of the Board confirm that there were no events that occurred after the reporting date which require adjustments to or disclosure in these financial statements.

18 Commitments and contingencies

Operating lease commitments - where the authority is the lessee

The future aggregate minimum lease payments under non- cancellable operating leases are as follows:

	2014	2013
	P	P
Not later than 1 year	7,507,485	6,445,982
Later than 1 year and no later than 5 years	<u>15,315,405</u>	<u>12,833,029</u>
	<u>22,822,890</u>	<u>19,279,011</u>

LOCAL ENTERPRISE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2014

18 Commitments (continued)

Capital commitments - Projects

There has been no Capital expenditure contracted for at the reporting date but not yet incurred for the 2012/13 and 2013/14 financial years.

Commitments

The commitment remaining as at 31 March 2012 relates mainly to the remaining work involved in the development of the incubators. These have been completed in full during the 2012/13 financial year.

19 Related party transactions

	2014 P	2013 P
Transactions with senior management		
Remuneration paid to senior management	<u>4,906,101</u>	<u>3,830,353</u>
Transactions with the Board		
Sitting allowances paid to Board members	<u>169,462</u>	<u>169,462</u>

20 Prior year adjustment and restatement of prior year financial statement

During the current year, management reclassified capital grants of P 81,706,250 from funds to non-current liabilities. The regrouping is consistent with the nature of the funds received from the Botswana Government in prior periods. The funds were provided exclusively for the initial purchase of property, plant and equipment which imply the receipts are in the form of capital grants.

As per International Accounting Stanadards 20 Accounting for Grants (IAS 20), presentation of government grants related to assets states that government grants related to assets (including non-monetary grants at fair value) shall be presented in the statement of financial position by setting up the grant as deferred income.

This method recognises the grant as deferred income that is amortised on a systematic basis over the useful life of the asset.

Grants related to income are presented as part of profit or loss separately is amortisation of capital, as it is inappropriate to net income and expense items and that separation of the grant from the expense facilitates comparison with other expenses not affected by a grant.

LOCAL ENTERPRISE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2014

20 Prior year adjustment and restatement of prior year financial statement (continued)

Effects on the statement of comprehensive income	2013 P Restated	2012 P Restated
Operating income/(deficit)	(69,609,060)	(20,702,853)
Prior year adjustments:		
Amortisation of capital grants	8,782,205	12,910,397
Operating income/(deficit) as restated	<u><u>(60,826,855)</u></u>	<u><u>(7,792,456)</u></u>
 Effects on the statement of financial position		
Funds and liabilities		
Funds		
Amount as for the year ended		
Accumulated (deficit) / surplus	(3,341,294)	55,653,996
Capital grants	88,705,279	97,487,484
Total funds	<u>85,363,985</u>	<u>153,141,480</u>
Prior year adjustment		
Capital grants	(88,705,279)	(97,487,484)
Total funds as restated	<u><u>(3,341,294)</u></u>	<u><u>55,653,996</u></u>
 Non-current liabilities		
Amount as the year ended		
Capital grants	-	-
Prior year adjustment		
Capital grants	88,705,279	97,487,484
Total non-current liabilities as restated	<u><u>88,705,279</u></u>	<u><u>97,487,484</u></u>

DETAILED INCOME STATEMENT
for the year ended 31 March 2014

	2014 P	2013 P
Revenue grants	134,000,000	70,008,200
Amortisation of capital grants	6,999,029	8,782,205
Other operating income	3,760,833	5,138,434
Recurrent expenditure		
Advertisement	(628,528)	(1,351,333)
Amortisation of intangible assets	(3,441,231)	(3,452,926)
Auditors' remuneration - current year	(262,977)	(304,147)
Bank charges	(149,316)	(178,317)
Board sitting allowance	(119,847)	(169,462)
Board meeting expenses	(143,201)	(385,143)
Business travel, accommodation and allowances	(2,533,558)	(3,106,982)
Computer expenses	(4,809,941)	(4,838,480)
Consultancy fees	(1,305,006)	(4,275,229)
Courier and postage	(188,639)	(198,876)
Depreciation of property, plant and equipment	(6,661,314)	(10,062,387)
Doubtful debts	(107,115)	(1,317,466)
Donations	(79,945)	(321,471)
Glen Valley consumables	(936,689)	(814,084)
Insurance	(1,971,825)	(2,447,479)
Legal fees	(114,258)	(121,201)
Motor vehicle expenses	(1,526,554)	(1,847,071)
Office expenses	(1,114,167)	(947,612)
Operating lease rentals	(10,552,463)	(9,872,162)
Promotion and publicity	(1,468,338)	(1,391,248)
Remuneration paid to senior management	(4,906,101)	(3,830,353)
Repairs and maintenance	(2,140,678)	(1,594,749)
Research costs	(570,011)	(482,710)
Security expenses	(2,183,316)	(2,096,120)
Seminars, retreat and conference costs	(1,543,139)	(1,797,464)
SMME conference and fair - current year	(593,766)	(859,965)
Staff costs	(80,555,756)	(73,915,979)
Staff training and recruitment	(1,091,909)	(1,203,544)
Staff welfare	(1,466,814)	(1,981,315)
Stakeholder management	(171,920)	(131,460)
Stationery and printing	(1,465,804)	(1,364,245)
Subscriptions	(148,514)	(132,699)
Telephone, mobile and fax	(6,135,691)	(6,408,988)
Training and mentoring costs	(1,302,877)	(1,897,775)
Write back/(off) of receivables	1,350	344,748
	(142,389,858)	(144,755,694)
Operating surplus/(deficit) for the year	2,370,004	(60,826,855)

" This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 60 and 61"

NOTES TO THE DETAILED INCOME STATEMENT
for the year ended 31 March 2014

1 Other income

	2014	2013
	P	P
Profit on disposal of property, plant and equipment	120,250	-
Rental income	1,352,813	2,675,595
SMME conference and fair income	70,500	718,741
Sundry income	1,409,445	840,209
Telephone recoveries	615,710	712,213
Tender fees	57,600	23,653
Training and resource centre income	134,515	168,023
	<u>3,760,833</u>	<u>5,138,434</u>

" This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 60 and 61"

NOTES TO THE DETAILED INCOME STATEMENT
for the year ended 31 March 2014

	2014 P	2013 P
Comprehensive surplus/(deficit) for the period	<u>3,271,394</u>	<u>(58,995,290)</u>
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	6,661,314	10,062,387
Effect of rent smoothening	190,703	190,703
Amortisation of intangible assets	3,441,231	3,452,926
Amortisation of capital grants	(6,999,029)	(8,782,205)
Write (back) / off of receivables	(1,350)	(344,748)
Foreign exchange loss	74,969	47,485
	<u>3,367,838</u>	<u>4,626,548</u>
Comprehensive deficit adjusted for non-cash items	<u>6,639,232</u>	<u>(54,368,742)</u>
Funded through the accumulated cash surpluses from prior years	-	51,938,710
	<u>6,639,232</u>	<u>(2,430,032)</u>

" This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 60 and 61"