PEEPA

Public Enterprises Evaluation and Privatisation Agency

2016/17 ANNUAL REPORT

GROWING PRIVATE SECTOR

PARTICIPATION IN THE ECONOMY

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COMPANY INFORMATION

NATURE AND PRINCIPAL BUSINESS ACTIVITY

THE PURPOSE OF THE COMPANY IS TO EVALUATE THE PERFORMANCE OF PARASTATALS AND TO ADVISE ON, AS WELL AS IMPLEMENT THE COMMERCIALISATION AND PRIVATISATION OF THESE PARASTATALS.

COMPLIANCE WITH THE **PRIVATISATION POLICY**

THE HONOURABLE ERIC M. MOLALE, MINISTER FOR PRESIDENTIAL AFFAIRS, GOVERNANCE AND PUBLIC ADMINISTRATION, PRIVATE BAG 001, GABORONE.

In compliance with paragraph 81 of the Privatisation Policy of Botswana, I have the honour to submit the Annual Report of the Public Enterprise Evaluation and Privatisation Agency (PEEPA) for the year ended 31 March 2017.

Yours Faithfully

T. TSHEKISO
CHAIRMAN

PEEPA MANDATE

VISION

TO BE THE LEADER IN THE TRANSFORMATION OF BOTSWANA TOWARDS AN EFFICIENT PRIVATE SECTOR LED ECONOMY.

MISSION

TO PROVIDE QUALITY ADVICE AND EFFECTIVELY IMPLEMENT THE PRIVATISATION PROGRAMME, AND MONITOR THE PERFORMANCE OF PUBLIC ENTITIES TO ENSURE EFFICIENT SERVICE DELIVERY.

PEEPA

IS RESPONSIBLE FOR ADVISING GOVERNMENT ON PRIVATISATION STRATEGIES AS WELL AS IMPLEMENTATION OF PRIVATISATION, THIS INCLUDES COMMERCIALISATION, RESTRUCTURING, OUTSOURCING AND DIVESTURE INTERVENTIONS FOR THE EFFECTIVENESS AND EFFICIENCY OF PUBLIC ENTITIES AND MINISTRIES AS WELL AS EVALUATING THE PERFORMANCE OF PARASTATALS AND PROMOTING GOOD CORPORATE GOVERNANCE IN THEM.

CONTENTS

CORE VALUES

THE CORE VALUES ESPOUSED BY EMPLOYEES AND DIRECTORS OF PEEPA, INDIVIDUALLY AND COLLECTIVELY IN PURSUANCE OF PEEPA'S MISSION ARE:

PROFESSIONALISM

WE PERFORM OUR DAILY DUTIES WITH ENTHUSIASM AND CONVICTION, WHILST TAKING RESPONSIBILITY FOR OUR ACTIONS AND DECISIONS.

INTEGRITY

WE ARE HONEST, TRANSPARENT AND ACT IN ACCORDANCE WITH HIGH ETHICAL AND MORAL PRINCIPLES.

QUALITY SERVICE

WE MAINTAIN HIGH STANDARDS IN THE DELIVERY OF INNOVATIVE SERVICES TO CUSTOMERS.

TEAMWORK

WE COLLABORATE EFFECTIVELY WITH OUR COLLEAGUES IN ORDER TO ACHIEVE OUR COMMON GOALS.

"PEEPA CEO KGOTLA M. RAMAPHANE ADDRESSING STAFF DURING THE PEEPA BOTS 50 ANNIVERSARY CELEBRATION"

PEEPA STAFF POSING FOR A BOTS 50 CELEBRATION PHOTO

BOARD OF DIRECTORS

T. TSHEKISO
BOARD CHAIRMAN

K. H. MUNAMATI
BOARD AUDIT CHAIRMAN

PROF. H. SIPHAMBE
BOARD HR COMMITTEE CHAIRMAN

D. PHETLHU
BOARD MEMBER

G. MMOLAWA
BOARD APPEAL COMMITTEE CHAIRMAN

G. N. MOSALAKATANE
BOARD MEMBER

BOTS 50 VIBES AT PEEPA

EXECUTIVE MANAGEMENT

K. M. RAMAPHANE
CHIEF EXECUTIVE OFFICER

T. DISWAI - MOREMI
DEPUTY CHIEF EXECUTIVE OFFICER

M. L. RABASWA
MANAGER: HUMAN RESOURCES

I. JOSEPH
HOD: PUBLIC SERVICES OUTSOURCING

P. SEBOLAI
[A] MANAGER: FINANCE AND ADMIN

M. MOGEGEH
[A] MANAGER: PRINCIPAL COMMUNICATION

" SHOWING OUR PATRIOTISM "

DIRECTOR's REPORT

HIGHLIGHTS

In the financial year 2016/17, Botswana's challenges of dwindling revenues persisted as the country faced a key policy dilemma of how to grapple with the decline in previously buoyant diamond revenues. Projections of future diamond revenues remained uncertain. While diamonds may not be fully exhausted for another generation, output is already well past its peak. While Botswana has made some progress in reducing its dependence on diamonds in the past 20 years, the level of economic diversification and the reduction of Government expenditure needed to offset diminishing mineral revenues remained a challenge.

One of the key strategies adopted to reduce the financial pressure on Government is to allow private sector to play a more meaningful role in growing the economy. This can be achieved by hiving off its non-core functions from Government and improving efficiencies within Government departments and parastatals.

As an agency of government set up to assist in this processes through advice and implementation on privatisation matters, PEEPA embarked on a review of its strategy to ensure alignment with Government's current needs and also relevance within Botswana and the global socio economic landscape.

T. TSHEKISO
BOARD CHAIRMAN

Director's Report

HIGHLIGHTS

SUMMARY OF CEO'S REPORT

This exercise led to the recasting of PEEPA's vision and values while the mission remained the same. The five-year strategy is well aligned with the National Development Plan 11 and has reignited the organisations drive to be the leader in the transformation of Botswana towards an efficiently led private sector participation.

PEEPA has also institutionalised Prince2 project management methodology still in a bid to improve its project delivery. Along with this a Knowledge Management Strategy was developed to assist the organisation with knowledge retention. This is key for a knowledge based organisation such as PEEPA.

Several initiatives for privatisation took place during the year under review. A cost benefit exercise for parastatals the are to be privatised identified by the policy shift to support NDP11 was completed. The Public Service Outsourcing Programme that was to take the form of in-house bidding saw nineteen companies formed before it was halted due to funding constraints. PEEPA is also working closely with DPSM to develop a Public Services outsourcing strategy. The merger of Botswana Postal Services and Botswana Savings Bank is still on-going with results of the study on the best method of privatisation expected soon.

The communications department welcomed two bench-marking delegates during the year. These were referrals from the World Bank stating PEEPA as one of the best for benchmarking purposes.

The restructuring exercise by PEEPA was largely done in the year under review. Job matching was completed and recruitment started. Staff training planned for the year under review was also accomplished with all staff having trained.

FINANCIAL REVIEW

During the year under review, PEEPA recorded a net deficit of P8.5 million compared to a net deficit of P0.3 million from the previous financial year 2015/16.

Total revenue recorded for the financial year 2016/17 amounted to P25.6 million compared to P51.6 million in the previous year. This revenue includes the transfer of funds from deferred income against the BTCL privatisation project at P6.3 million and Government Ministries in partnership with AfDB for projects amounting to P0.2 million. These aggregate to a total of P6.5 million from deferred income accounts.

Cash and cash equivalents which include funds received for the BSB/Botswana Post project funded by Ministry of Transport and Communications and NDB project stood at P9.7 million as at 31 March 2017 compared to P269.5 million as at 31 March 2016.

CHALLENGES

Any change from the norm requires intensive communication and education on a continuous basis to be a success. The privatisation agenda for Botswana is in no wise different and it is made even more challenging by the diverse interests of stakeholders that often even are contradictory in nature. There is also the challenge of low financial literacy that PEEPA has to deal with in implementing some transactions. Addressing these challenges is further hampered by budgetary constraints that continue to plague PEEPA.

Director's Report

OUTLOOK

PEEPA remains resolute, even amidst these challenges, to be the leader in transforming Botswana towards an efficient private sector led economy. The organisation believes that with the newly implemented structure and the institutionalisation of Prince2 project management methodology, its project implementation will be more efficient making its role clearer.

It is also PEEPA's intention to advance the Public Services Outsourcing programme as well as the privatisation and rationalisation of parastatals identified in the Privatisation Master Plan and the policy shift documentation.

ACKNOWLEDGEMENTS

The PEEPA Board would like to express its many thanks to the Government of Botswana, the Honourable Minister of Presidential Affairs, Governance and Public Administration and his officials for their guidance and support to PEEPA during the year under review.

We would also like to appreciate all our stakeholders who played a significant role in assisting us to achieve our projects. All our stakeholders, ministries, local authorities, parastatals, boards, management and staff of entities being privatized or monitored and members of the public; we thank you for your input and participation. Your contribution by way of feedback assists us to better deliver on PEEPA's mandate.

I WOULD ALSO LIKE TO THANK THE PEEPA BOARD FOR THEIR VALUABLE OVERSIGHT ROLE, FOR THE GUIDANCE THEY GAVE AS WELL AS THEIR EXPERTISE. THEY OFFERED THEIR TIME AND PERFORMED THEIR DUTIES WITH ADMIRABLE DILIGENCE AND COMMITMENT. Great appreciation goes to the Chairman of the Audit Committee; Mr. Kumbulani Munamati, Chairman of the Human Resources Committee; Professor Happy Siphambe, Ms. Patience Motswagole, Ms. Motlalepula Kabomo, Ms. Goitseone Mosalakatane, Mr. Dithuso Phetlhu and Mr. Gideon Mmolawa.

Much appreciation goes to the Management and staff of PEEPA as well. These are men and women who put the shovel to the ground to diligently deliver on the promise of PEEPA. They have demonstrated professionalism in carrying out their duties. The Board encourages you to renew your resolve as you continue to be part of the PEEPA Team.

T. TSHEKISO
BOARD CHAIRMAN

CORPORATE GOVERNANCE

INTRODUCTION

PEEPA is committed to best corporate governance principles and practices and promotes their entrenchment throughout Public Enterprises. PEEPA therefore recognises the need to develop and strengthen its processes and procedures to ensure alignment with internationally accepted standards. The processes are underpinned by the principles of transparency, integrity and accountability and an inclusive approach that takes into account the importance of good corporate governance and the involvement of all stakeholders.

SHAREHOLDING

The Government of the Republic of Botswana is the sole shareholder of PEEPA. The shareholder representatives are the subscribers to the Constitution and they are:

- Mr. S. Sekwakwa
- Dr. T. Nyamadzabo
- Mr. C. Dekop
- Ms. E. Richard-Madisa
- Dr. E. Makhwaje
- Mr. S. Makosha

Corporate Governance Statement

GOVERNING BODIES

BOARD OF DIRECTORS

At the end of March 2017, PEEPA had six (6) out of a maximum of twelve (12) directors allowed by the Constitution. The current members of the Board are listed below:

- Mr. T. Tshekiso (Tenure expired in October 2016)
- Ms. M. V. Kabomo (Tenure expired in October 2016)
- Ms. P. Motswagole
- Prof. H. Siphambe
- Mr. K. H. Munamati
- Mr. G. Mmolawa
- Mr. D. Phetlhu

BOARD COMMITTEES

The PEEPA Board has three committees, which assist the Board in discharging its responsibilities. Each committee operates within the defined terms of reference as set out in the Board Charter, which provides for their roles and responsibilities.

AUDIT COMMITTEE

The Audit Committee overseas areas of internal control systems, financial reporting, risk management and governance structures. The current members of the Audit Committee are as follows:

- Mr. K. H. Munamati - Chairman
- Ms. M. V. Kabomo (Tenure expired in October 2016)
- Mr. D. Phetlhu

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is tasked with matters relating to Human resource adequacy and development, remuneration policy and general staff welfare. The current members of the Human Resources Committee are as follows:

- Prof. H. Siphambe - Chairman
- Ms. P. Motswagole (Tenure expired in October 2016)
- Ms. G. N. Mosalakatane

Corporate Governance Statement

BOARD TENDER COMMITTEE

The Board Tender Committee 's main task is to adjudicate on and authorise acceptance, or otherwise of tenders for goods and services in excess of a set threshold in accordance with the Financial Regulations and Procedures and to ensure adherence to the Public Procurement and Asset Disposal Act and Regulations. This is in compliance with the requirements of entities funded out of the Consolidated Fund such as PEEPA.

The Board Tender Committee consists of:

- Ms. P. Motswagole (Tenure expired in October 2016)
- Prof. H. Siphambe
- Chief Executive Officer
- General Corporate Counsel

BOARD APPEALS COMMITEE

- Mr. G. Mmolawa
- Prof. H. Siphambe
- Ms. G. N. Mosalakatane

COMPANY SECRETARY

The Company Secretary ensures that PEEPA observes the highest standards of Corporate governance and compliance with the requirements of the Companies Act and other relevant regulations, including the Constitution of the Company and the Privatisation Policy.

Corporate Governance **Statement**

ATTENDANCE OF MEETINGS

Dates for the quarterly meetings are scheduled annually in advance. Additional meetings are called as and when deemed necessary. Seven (7) Board meetings, Five (5) Audit Committee meetings, no Board Tender Committee meetings were scheduled, Eleven (11) Human Resource Committee meetings and two (2) Board Appeals Committee meetings were held during the year under review. The attendance of members at these meetings is reflected next:

BOARD MEEITNG

DATES	23 JUNE	13 JULY	15 SEPT	22 SEPT	8 DEC	12 DEC	8 MAR
MR. TSHEKISO							
MR. MUNAMATI		ABSENT					
PROF. SIPHAMBE							
MS. MOTSWAGOLE		ABSENT			ABSENT	ABSENT	ABSENT
MS. KABOMO		ABSENT			ABSENT	ABSENT	ABSENT
MS. MOSALAKATANE		ABSENT					
MR. PHETLHU		ABSENT					
MR. MMOLAWA		ABSENT			ABSENT		

AUDIT COMMITTEE

DATES	16 JUNE	6 SEPT	16 SEPT	24 NOV	23 FEB
MR. MUNAMATI					
MS. KABOMO				ABSENT	ABSENT
MR. PHETLHU					

HRC COMMITTEE

DATES	14 JUNE	8 SEPT	18 OCT	25 NOV	28 NOV	2 DEC	5 DEC	9 DEC	14 DEC	23 FEB	1 MAR
PROF. SIPHAMBE											
MS. MOTSWAGOLE				ABSENT	ABSENT	ABSENT	ABSENT	ABSENT	ABSENT	ABSENT	ABSENT
MS. MOSALAKATANE											

TENDER COMMITTEE

DATES	JUNE	SEPT	SEPT	NOV
MS. MOTSWAGOLE				
PROF. SIPHAMBE				

APPEALS COMMITTEE

DATES	7 APRIL	13 APRIL
MR. MMOLAWA		
PROF. SIPHAMBE		
MS. MOSALAKATANE		

CODE OF CONDUCT

PEEPA is committed to the highest standards of integrity and ethical conducts in dealing with all stakeholders.

KEY

Attendence	
Attendence	
Absent	ABSENT
Tenure Expired	ABSENT

"HEAD OF DELEGATION FROM GAMBIA FOR BENCHMARKING WITH PEEPA"

CEO's REPORT

INTRODUCTION

The financial year 2016/17 ushered in the beginning of PEEPA's new five year strategic plan which saw the review of the organisations vision, mission and core value to ensure relevance within our dynamic and ever changing socio economic landscape. The vision was revised to "to be the leader in the transformation of Botswana towards an efficient private sector lead economy".

PEEPA's new strategy reignites the aspiration to transform Botswana towards an efficient private sector led economy. This vision is in line with the NDP 11, which aims to achieve an "Inclusive Growth for the Realisation of Sustainable Employment Creation and Poverty Eradication" by, among others, "the use of the private sector as the main vehicle for generating this inclusive growth".

The PEEPA Strategic Plan for 2016/17 - 2020/21 is a result of an extensive review process within the organisation and consultation with stakeholders. It also builds on the experience gained from the past strategic plans. This strategic plan, among others will enable PEEPA to contribute towards a major Government priority of employment creation against a reality of having to right-size the public sector, hence the need for robust private sector participation which Government should leverage.

Though there were numerous challenges in the year under review, PEEPA made strides in driving its mandate. A lot has also been done in looking at PEEPA so as to build our processes and restructure the organisation for effective and efficient delivery of our strategic plan and mandate.

K. M. RAMAPHANE
CHIEF EXECUTIVE OFFICER

CEO's Report

PRIVATISATION AND RESTRUCTURING PROJECTS

ESTABLISHMENT OF THE MEDICINES REGULATORY AUTHORITY

Cabinet approved recommendations on the Board membership of the Authority in 2016 and the process of recruiting the Chief Executive Officer has commenced.

INSTITUTIONALISATION OF PRINCE2 PROJECT MANAGEMENT METHODOLOGY WITHIN PEEPA

During the year 2016/2017, PEEPA identified the need to adopt and institutionalise a project management framework within its operations to ensure that all projects in the organisation are delivered in a consistent and controlled manner. The Prince2 approach was chosen as the appropriate methodology.

A project Management expert was engaged to assist in this process. To date, a project management office charter and a Project Management Framework have been developed to guide in implementing projects. A project management software known as "Project in a Box" was acquired for use by all project managers.

ASSIGNMENTS ARISING FROM THE DIRECTIVE ON POLICY SHIFT TO SUPPORT THE IMPLEMENTATION OF THE NATIONAL DEVELOPMENT PLAN (NDP) 11

- Cabinet in August 2016, approved a number of Policy Shift initiatives which included, amongst others, that Privatisation should be commenced in earnest. Target parastatals for consideration include Air Botswana, Botswana Railways, Botswana Meat Commission and National Development Bank.

- PEEPA has carried out a cost benefit analysis on these parastatals, to guide Government on how their privatisations should be progressed. Government then floated an expression of interest for potential privatisation of Air Botswana and discussions are ongoing as to how to move forward.

PUBLIC SERVICES OUTSOURCING PROJECTS

PUBLIC SERVICES OUTSOURCING PROGRAMME (PSOP)

The adoption of the in-house bidding outsourcing option, for the pilot implementation of the Public Services Outsourcing Programme in the Government enclave and Ministry Headquarters, required training and empowerment of affected employees in entrepreneurship and business development skills (carried out in the previous financial year). This was to be followed by the capacity building of the newly formed companies in various areas that are critical for their successful operation. While the Local Enterprise Authority was successfully engaged to train affected employees, funding constraints during the financial period made it difficult for the capacity building and handholding of the formed companies. The PSOP had to be paused in order to review the options with a view to come up with a more sustainable approach and source funding for the decided way forward. Nineteen companies were formed by about 115 of the affected 252 employees.

IMPLEMENTATION OF THE INTEGRATED FACILITIES MANAGEMENT (IFM) STRATEGY FOR THE MAINTENANCE OF GOVERNMENT BUILDINGS

The Ministry of Infrastructure and Housing Development (MIH) and PEEPA have been piloting the implementation of the strategy at Botswana Police College and International Law Enforcement Academy in Otse. A facilities management company has been engaged to implement the technical approach recommended by the IFM strategy.

CEO's Report

DEVELOPMENT OF A PUBLIC SERVICES OUTSOURCING STRATEGY AND IMPLEMENTATION PLAN

PEEPA has identified the need to develop a public services outsourcing strategy and implementation plan. The strategy will identify and develop the best outsourcing initiatives and provide a clear framework for guiding government in the implementation of outsourcing services to the private sector. The project has been delayed due to lack of funding. PEEPA is working closely with DPSM and the Reforms Unit in the Ministry of Presidential Affairs, Governance and Public Administration to source funding.

OUTSOURCING ADVISORY AND TRAINING INITIATIVES

During the period under review, PEEPA continued to build capacity of outsourcing entities identified through the cataloguing of the implementation of outsourcing across Central Government, Independent Departments and Local Authorities. To this end, PEEPA reviewed the outsourcing activities in the Ministry of Investment, Trade and Industry and Kgatleng District Council and provided guidance on outsourced service performance monitoring and contract management.

PEEPA continued to render advice on outsourcing of a variety of services. The following table shows entities and services proposed for outsourcing.

ENTITY	AREA TO BE OUTSOURCED	STATUS
Botswana Meat Commission (BMC)	Catering	BMC was advised to ensure that the catering market was ready to meet the critical food hygiene standards required for meat handlers.
Botswana Vaccine Institute (BVI)	Cleaning	BVI has provided guidance on outsourcing and procurement of cleaning services for the non-critical areas focusing on output specifications. Tender documents have been drafted.
Industrial Court (IC)	Cleaning	IC has provided guidance on outsourcing and procurement of cleaning services focusing on output specifications. Tenders have been evaluated.
Industrial Court (IC)	Security	IC has provided guidance on procurement of security services focusing on output specifications. Tenders have been awarded.
Botswana Public Service College (BPSC)	Cleaning, security, gardening	BPSC has provided guidance on outsourcing of various services focusing on output specifications.
Ministry of Health and Wellness	Outsourcing of medicines warehousing and distribution	PEEPA provided project assurance services during the compilation of a multi-service invitation to tender document where the Ministry of Health and Wellness was receiving expert advice from a third party.
Poverty Eradication Coordinating Unit (PECU)	Private sector participation in PECU funded projects	PEEPA continues to work with PECU, Rural Development Council and various implementing entities to identify suitable private sector participation strategies in projects like the Agro Processing Plant in Selebi-Phikwe where a business case justification has been produced for a suitable strategy to be explored. A decision of Government is awaited.

CEO's Report

COMMERCIALISATION AND RATIONALISATION PROJECTS

THE MERGER OF BOTSWANA POSTAL SERVICES AND BOTSWANA SAVINGS BANK

PEEPA continued to assist the Ministry of Transport and Communication to merge the Botswana Savings Bank (BSB) and Botswana Postal Services (BPS). During the year under review, PEEPA commenced a study that will recommend the optimal model and operational course of the merged entity. The study is still ongoing.

KNOWLEDGE MANAGEMENT STRATEGY

As a knowledge organisation, PEEPA uses and produces a lot of knowledge. The most critical knowledge for PEEPA is related to: improving operational excellence through efficient processes, efficient project implementation; increased employee performance excellence; and effective stakeholder engagement. PEEPA needs to manage its knowledge well for effective implementation of the privatisation programme.

PEEPA started to implement the Knowledge Management (KM) Strategy in March 2016. The PEEPA KM Strategy defines knowledge management as:

"the application of policies, processes, systems and tools that enable employees, teams and the organisation to systematically identify, capture/acquire, store, share, apply and **RE-USE KNOWLEDGE TO GENERATE NEW KNOWLEDGE WITH THE PURPOSE OF IMPROVING THE ORGANISATION'S EFFECTIVENESS AND EFFICIENCY IN EXECUTING ITS MANDATE".**

Implementing this strategy will enable PEEPA to effectively and efficiently extract and grow value from the collective knowledge of its staff. This will bring the following key benefits:

a. Retention and availability of vital organizational knowledge for decision making
b. Improved business decisions, productivity, efficiency and operational excellence
c. Efficient project implementation
d. Increased staff collaboration, leading to continuous learning and innovation

Several milestones have already been achieved.

1. MANAGEMENT OF PROJECT KNOWLEDGE

This has been institutionalized through the implementation of Project Knowledge Management Framework" embedded within PRINCE2 Project Management Framework. All PEEPA employees were trained on how to produce project documentation in Project in a Box (PiaB) and currently all project managers produce project documentation in PiaB, an initiative that has greatly enhanced capturing, sharing and reusing of project knowledge. The capturing of project lessons learned is now a requirement for all PEEPA projects. All projects that were completed after August 2016 have a Project Completion Report which contains Lessons learned, including the Botswana Telecommunications Corporation Limited (BTCL) divestiture project. In addition, a Project Managers Forum has been established as a way to facilitate knowledge sharing amongst project managers. The Forum will eventually mature into a Community of Practice, which is one of the tools recommended by the KM Strategy.

2. PROCESS KNOWLEDGE DOCUMENTATION

An initiative to "Capture and use Knowledge from Business Processes to develop best practices" has been implemented through the sub-project of Business Process Management and Process Modelling. This comprised of training of 10 PEEPA employees on Business Process Management and Process Modelling Method and subsequent Mapping and documentation of all PEEPA business processes. Fourteen High Level business processes were identified, mapped and documented. The process documentation has been completed. A procedure manual and guidelines form the core knowledge of PEEPA as it captured best practices in all the business processes along with lessons learned over the years. This has resulted in tacit knowledge held by employees being converted into explicit knowledge readily available and safe from loss through attrition. This will ensure that consistency and efficiency in process execution will be attained. The process documentation will be stored in the Intranet Portal Enterprise Document Management System (EDMS) for ease of access by all employees.

3. KM IS ONE OF THE KEY PERFORMANCE AREAS (KPAS) IN JOB PROFILES

In order to institutionalize knowledge management, most of the New Job profiles have incorporated Knowledge Management (KM) as one of the KPAs. This is to ensure that KM is the responsibility of all knowledge workers. In addition, the Exit process form has been revised and now includes a section for capturing Knowledge of employees who leave PEEPA.

4. INFORMATION RESOURCE CENTRE TRANSFORMED INTO KNOWLEDGE CENTRE

To create a supporting structure for knowledge management, The Information Resource Centre (IRC) has been transformed into a Knowledge Centre. The position of Manager, Knowledge Management has been created. The Intranet portal has also been redesigned to become a knowledge repository.

5. WHAT NEXT? THE FOLLOWING INITIATIVES ARE STILL TO BE EXECUTED FOR THE PROJECT TO BE COMPLETED AND REQUIRE FUNDING

- Train employees to capacitate them to identify, capture, share and re-use knowledge
- KM objectives to be included in performance contracts
- Establishment of database of training management and system that facilitates sharing and applying knowledge from training activities
- Establishment and formalization of other KM processes and tools for capturing, storing, sharing, and using knowledge.
- Development of a database of internal and external experts (Experts Locator)

Funds permitting, the project is expected to be completed in December 2017.

PERFORMANCE MONITORING PROJECTS

PUBLIC ENTERPRISE MANAGEMENT: NON-EXECUTIVE DIRECTORS NOMINATIONS PROCESS

PEEPA continued to assist various ministries in identifying Non-Executive directors to serve in their respective parastatal Boards. The agency also conducted Board inductions for newly appointed directors of entities such as Medicines Regulatory Authority and Botswana Agricultural Marketing Board.

PEEPA executives also carried out capacity building initiatives in the area of Board evaluations for executives and Board members of parastatal entities.

CEO's Report

PUBLIC ENTERPRISES PERFORMANCE REVIEW

Engagements with the performance improvement units of all ministries (except for the then ministry of environment wildlife and tourism continued throughout the year and PEEPA continued to build capacity and share expectations and processes for exercising effective shareholder oversight.

The first and second quarter round of performance reporting using the monitoring tool has yielded improved compliance levels where four ministries complied with the reporting requirements and two partially complied. The agency continued to follow up the remaining ministries to complete the exercise and only three ministries failed to comply at all.

COMMUNICATIONS AND PUBLIC AWARENESS PROGRAMME

PUBLIC EDUCATION

PEEPA continued to educate its different stakeholders about its mandate and about general privatisation. Emphasis was given to privatisation processes, the benefits of privatisation and the successes and benefits of the Botswana Telecommunications Corporation Limited privatisation. Different media was used and key among these were radio and public exhibitions such as the Botswana Consumer Fair and the Global Expo.

The planned public education campaign was hampered by a lack of funds in the last half of the year.

BENCH MARKING VISITS

In the year under review, PEEPA hosted two bench marking delegations referred to PEEPA by the World Bank. The two delegations were from The Republic of Lesotho and the Gambia Republic. The two countries are undertaking public sector reforms and PEEPA (Botswana) was given as among the best for bench marking purposes.

HUMAN RESOURCES

ORGANISATIONAL DESIGN AND RESTRUCTURING

The Organisational Design and Restructuring exercise embarked on by PEEPA is still ongoing on and nearing its completion. A number of key milestones have been achieved during the year under review. The Agency has finalised the new structure and its implementation strategy.

The refinement and grading of the job profiles in the new structure was completed. Twenty five staff members were directly placed into roles within the new structure. Three staff members were not matched to any roles in the Agency and as such were deemed redundant. Two contracts were awarded to Counselling Services providers to facilitate the maintenance of a competent, productive and healthy workforce before, during and after migrating into the new organisational structure.

RECRUITMENT

Subsequent to the Job Matching process and migration of staff into the new structure, an internal recruitment process took place. Six positions have been recruited for and filled internally.

External Recruitment is currently ongoing to fill in the remaining vacant positions within the new structure.

CEO's Report

TRAINING AND DEVELOPMENT

PEEPA is committed to enhancing its employee's skills. During the year under review, PEEPA enrolled its staff in various training programmes, key amongst those are University of Stellenbosch's Management Development Programme (MDP) and Senior Management Development Programme (SMDP) training of professional staff which were carried out and ran concurrently during the past quarter.

PEEPA STRATEGIC PLAN

PEEPA's new five-year Corporate Strategy from 2016 - 2021 was developed with the assistance and facilitation of Consulting firm, KPMG. This Corporate Strategy will focus on reaching **PEEPA'S VISION OF BEING A LEADER IN THE TRANSFORMATION OF BOTSWANA TOWARDS AN EFFICIENT PRIVATE SECTOR-LED ECONOMY AND ULTIMATELY CONTRIBUTING TO BOTSWANA BECOMING A PROSPEROUS, PRODUCTIVE AND INNOVATIVE ECONOMY.**

In order to continue its drive towards transformation of the public sector, through privatisation and restructuring, performance monitoring and evaluation, and public services outsourcing, the new Corporate Strategy will map the key focus areas for PEEPA over the next 5 years.

ACKNOWLEDGEMENTS

As we report on PEEPA's performance during the year, I acknowledge the valuable support and strategic guidance provided by the Chairman and all Board Members.

The Minister for Presidential Affairs, Governance and Public Administration and his senior officers continued to avail themselves for the much needed policy guidance and oversight.

I give special thanks to PEEPA management and staff members for their invaluable professional contribution to the work of the Agency.

Let us all continue to do our best to deliver the PEEPA mandate to our very best capabilities.

K. M. RAMAPHANE
CHIEF EXECUTIVE OFFICER

CONTENTS

ANNUAL FINANCIAL STATEMENT

VISION

To be the leader in the transformation of Botswana towards an efficient private sector led economy.

MISSION

To provide quality advice and effectively implement the privatisation programme, and monitor the performance of Public Entities to ensure efficient service delivery.

General **Information**

LEGAL FORM	Company limited by gurantee
COUNTRY OF INCORPORATION AND DOMICILE	Botswana
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	The purpose of the company is to evaluate the performance of parastatals and to advise on, as well as implement the commercialisation and privatisation of these parastatals.
BOARD OF DIRECTORS	Mr. K. H. Munamati Prof H. Siphambe Ms. M. V. Kabomo (Tenure expired in October 2016) Ms. P. Motswagole (Tenure expired in October 2016) Mr. D. Phetlhu Ms. G. N. Mosalakatane Mr. G. Mmolawa
CHAIRMAN OF THE BOARD	Mr. T. Tshekiso
CHIEF EXECUTIVE OFFICER	Mr. K. M. Ramaphane
REGISTERED OFFICE	Plot 64511 Block 4 Unit 1 & 2 Chillesford House Fairgrounds Office Park Gaborone Botswana
POSTAL ADDRESS	Private Bag 00510 Gaborone Botswana
BANKERS	Barclays Bank of Botswana Limited Stanbic Bank Botswana Limited First National Bank of Botswana Limited Banc ABC of Botswana Limited
INVESTMENT ADVISORS	Stanlib Investment Management Services (Proprietary) Limited Botswana Insurance Fund Management (BIFM)
AUDITORS	Grant Thornton Chartered Accountants
SECRETARY	K & N Business Consultants
COMPANY REGISTRATION NUMBER	2000/4113
FUNCTIONAL CURRENCY	Botswana Pula ("P")

Directors' Report

The Board of Directors have the pleasure in submitting their report, which forms part of the audited financial statements of the agency for the year ended 31 March 2017.

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

The Public Enterprises Evaluation and Privatisation Agency (PEEPA) was incorporated on the 31 August 2000, as a company limited by guarantee.

The purpose of the agency is to evaluate the performance of parastatals and advise government on, as well as implement the commercialisation and privatisation process.

2. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material events post reporting date requiring disclosure or adjustments to these financial statements.

3. SHAREHOLDERS

The Government of the Republic of Botswana is the sole shareholder of PEEPA. The shareholder representatives are the subscribers to the PEEPA Constitution, namely;

Dr. T. Nyamadzabo
Mr. S. Sekwakwa
Mr. S. Makosha
Ms. E. Richard-Madisa
Dr. E. Makhwaje
Mr. C. Dekop

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of Botswana to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2018 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 45 to 71.

The annual financial statements set out on pages 45 to 71, which have been prepared on the going concern basis, were approved by the board of directors on the 19th October 2017 and were signed on their behalf by:

APPROVAL OF FINANCIAL STATEMENTS

DIRECTOR

DIRECTOR
GABORONE

Chartered Accounts
Grant Thornton
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Plot 50370 Fairgrounds
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Independent **Auditor's Report**

TO THE SHAREHOLDER OF PUBLIC ENTERPRISES EVALUATION AND PRIVATISATION AGENCY

OPINION

We have audited the annual financial statements of Public Enterprises Evaluation and Privatisation Agency set out on pages 9 to 32, which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements give a true and fair view of, the financial position of Public Enterprises Evaluation and Privatisation Agency as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Botswana.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these:

KEY AUDIT MATTER	WHY CONSIDERED SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
GOVERNMENT SUBVENTIONS	PEEPA is supported by Government Subventions for its operational and capital expenditure. These amounts are granted by the government based on the budgets submitted after appropriate rationalisation. The subventions are recognised in line with requirements of IAS 20. For the period ended 31 March 2017, Government subventions amounted to P19 161 664 which amounts to 74.6% of the total revenue and this has been considered key for the audit as they are significant.	We obtained schedules of all government subventions, agreed the information to the accounting records and also obtained confirmations from the ministry. We have also determined compliance to the requirements of IAS 20 for recognition and measurement of the government subventions. We have assessed the design effectiveness of the controls and performed controls testing on revenue recognition i.e. has the expenditure been incurred and has the entity met the conditions of the grant. Evaluated if deferred revenue was appropriately recognized. We have obtained sufficient and appropriate audit evidence
OPERATING EXPENSES AND PAYROLL EXPENDITURE.	PEEPA is supported by government subventions for its operating expenditure including payroll costs. Due to the high volume of transactions, amounts involved and the susceptibility to incurring expenses that may have not been carried out as per the procurement procedures or expenditure incurred not for the purpose of normal operating activities of the entity, these cycles are considered significant. Payroll costs forms a very large portion of Agency's expenses. Due to the economic significance of these costs to the Agency, the area is considered as a Key Audit Matter	Our audit procedures included testing the appropriateness of the application of the procurement procedures and verifying expenditure to supporting documents. We also obtained an understanding of and tested the relevant controls in place to evaluate the procurement procedures put in place by management. We verified the existence of employees by performing procedures such as verification of appropriate identity documents, examination of employee files, contracts and other terms of employment. We also verified if the payroll information was updated with information from the employee files. On an account by account basis performed analytical procedures on the operating expense accounts and corroborated responses from management to the knowledge and other events known about the Agency. We have obtained sufficient and appropriate audit evidence to conclude that the costs of operating expenses and payroll have not been misstated.

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An instinct for growth

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Independent **Auditor's Report**

TO THE SHAREHOLDER OF PUBLIC ENTERPRISES EVALUATION AND PRIVATISATION AGENCY

RESPONSIBILITIES OF THE DIRECTORS FOR THE ANNUAL FINANCIAL STATEMENTS

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

In preparing the annual financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Grant Thornton

Chartered Accountants
Certified Auditor: Dinesh Radhakrishnan Mallan (Memb No: 19990074)
Certified Auditor of Public Interest Entity
Dinesh Radhakrishnan Mallan (Certificate No: CAP 0015 2017)

Statement of **Financial Position**

AS AT 31 MARCH 2017

	Note	2017 P	2016 P
Assets			
Non-Current Assets			
Property, plant and equipment	3	2 870 884	5 216 558
Current Assets			
Trade and other receivables	5	556 115	964 544
Short term investments	4	-	250 306 163
Cash and cash equivalents	6	9 747 529	19 188 818
		10 303 644	270 459 525
Total Assets		13 174 528	275 676 083
Equity and Liabilities			
Equity			
Accumulated surplus		2 534 547	11 019 899
Liabilities			
Current Liabilities			
Trade and other payables	8	1 564 246	6 664 421
Deferred income	9	9 075 735	7 685 600
Payable to Botswana Government	7	-	250 306 163
		10 639 981	264 656 184
Total Equity and Liabilities		13 174 528	275 676 083

Statement of **Comprehensive Income**

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 P	2016 P
Revenue	10	25 674 951	51 559 992
Other operating income		43 780	41 677
Employee costs	11	(14 477 211)	(14 827 020)
Operating lease charges	11	(1 768 147)	(1 715 843)
Depreciation	11	(2 398 964)	(1 722 314)
Operating expenses		(15 667 723)	(33 742 300)
Operating deficit	11	(8 593 314)	(405 808)
Finance income	12	107 962	39 581
Deficit for the year		(8 485 352)	(366 227)
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		(8 485 352)	(366 227)

Statement of **Changes in Funds**

FOR THE YEAR ENDED 31 MARCH 2017

	Accumulated surplus P	Total funds P
Balance at 01 April 2015	11 386 126	11 386 126
Total comprehensive deficit for the year	(366 227)	(366 227)
Total comprehensive Loss for the year	(366 227)	(366 227)
Balance at 01 April 2016	11 019 899	11 019 899
Total comprehensive deficit for the year	(8 485 352)	(8 485 352)
Total comprehensive Loss for the year	(8 485 352)	(8 485 352)
Balance at 31 March 2017	2 534 547	2 534 547

Statement of **Cash Flows**

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 P	2016 P
Cash flows from operating activities			
Cash generated from (used in) operations	13	(9 495 961)	(2 441 460)
Interest income		107 962	39 581
Net cash from operating activities		(9 387 999)	(2 401 879)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(105 676)	(2 488 241)
Sale of property, plant and equipment	3	52 386	-
Sale/(Purchase) of financial assets		250 306 163	(250 306 163)
Net cash from investing activities		250 252 873	(252 794 404)
Cash flows from financing activities			
(Paid to)/received from Botswana Government		(250 306 163)	250 000 000
Interest on short term investments		-	306 163
Net cash from financing activities		(250 306 163)	250 306 163
Total cash movement for the year		(9 441 289)	(4 890 120)
Cash and cash equivalents at the beginning of the year		19 188 818	24 078 938
Total cash and cash equivalents at end of the year	6	9 747 529	19 188 818

Accounting Policies

FOR THE YEAR ENDED 31 MARCH 2017

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of Botswana (Companies Act, 2003). The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Botswana Pula.

These accounting policies are consistent with the previous period, except for adoption of new standards or interpretations.

1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is used in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

TRADE RECEIVABLES

The Agency assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the statement of comprehensive income the Agency makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Agency for similar financial instruments.

IMPAIRMENT TESTING

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the useful assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

The Agency reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number economic factors such as exchange rates, inflation and interest.

USEFUL LIFE AND RESIDUAL VALUE OF PROPERTY, PLANT AND EQUIPMENT

The estimates of useful lives as translated into depreciation rates are detailed in property, plant and equipment policy on the annual financial statements. These rates and residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the industry.

PROVISIONS

Provisions are inherently based on assumptions and estimates using the best information available.

CONTINGENT LIABILITIES

Management applies its judgement to facts and advice it receives from attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not or, or remote. The judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

1.2 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company and
- the cost of the item can be measured reliably.

PROPERTY, PLANT AND EQUIPMENT IS INITIALLY MEASURED AT COST.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they were incurred.

The useful lives of items of property, plant and equipment have been assessed as follows:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Furniture and fixtures	Straight line	5 Years
Motor vehicles	Straight line	4 Years
Office equipment	Straight line	5 Years
IT equipment	Straight line	3 Years
Residential furniture	Straight line	5 Years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in the statement of comprehensive income unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in statement of comprehensive income when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

1.3 FINANCIAL INSTRUMENTS

CLASSIFICATION

The Agency classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - held for trading
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

INITIAL RECOGNITION AND MEASUREMENT

Financial instruments are recognised initially when the Agency becomes a party to the contractual provisions of the instruments.

The Agency classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for sale financial assets. For financial instruments which are not held at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in the statement of comprehensive income.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

SUBSEQUENT MEASUREMENT

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest.

Dividend income is recognised in statement of comprehensive income as part of other income when the company's right to receive payment is established, loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Interest income is recognised in statement of comprehensive income using the effective interest method.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Accounting Policies

FOR THE YEAR ENDED 31 MARCH 2017

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Agency's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analyses between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

DERECOGNITION

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

FAIR VALUE DETERMINATION

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Agency establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date the Agency assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. For amounts due to the Agency, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable. Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

LOANS TO EMPLOYEES

These financial assets are classified as loans and receivables.

TRADE AND OTHER RECEIVABLES

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Trade and other receivables are classified as loans and receivables.

TRADE AND OTHER PAYABLES

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.4 TAX

INCOME TAX

No provision for taxation has been made as the Agency is exempt from income tax under the Second Schedule of the Income Tax Act.

1.5 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Agency assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Agency estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Gratuities are paid all employees of the Agency based on contractual terms of employment.

1.8 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the Agency has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 17.

1.9 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that:

- the Agency will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the profit or loss (separately).

Government grant related to specific projects are presented in the balance sheet by setting up the amount as deferred income. The amount credited in the deferred income is transferred to the statement of comprehensive income to match the cost relating to the specific project which the grant relates to.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.10 REVENUE

Revenue is recognised to the extent that is probable that future economic benefits will flow to the Agency and the revenue can be measured reliably.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.11 TRANSLATION OF FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

A foreign currency transaction is recorded, on initial recognition in Pula, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

Notes to the Annual **Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2017

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

AMENDMENT TO IFRS 7: FINANCIAL INSTRUMENTS: DISCLOSURES: ANNUAL IMPROVEMENTS PROJECT

The amendment provides additional guidance regarding transfers with continuing involvement. Specifically, it provides that cash flows excludes cash collected which must be remitted to a transferee. It also provides that when an entity transfers a financial asset but retains the right to service the asset for a fee, that the entity should apply the existing guidance to consider whether it has continuing involvement in the asset.

The effective date of the company is for years beginning on or after 01 January 2016.

The company has adopted the amendment for the first time in the 2017 annual financial statements. The impact of the amendment is not material.

DISCLOSURE INITIATIVE: AMENDMENT TO IAS 1: PRESENTATION OF FINANCIAL STATEMENTS

The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its annual financial statements. It also provides amended guidance concerning the order of presentation of the notes in the annual financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

The effective date of the company is for years beginning on or after 01 January 2016.

The company has adopted the amendment for the first time in the 2017 annual financial statements. The impact of the amendment is not material.

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2017 or later periods:

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

KEY REQUIREMENTS OF IFRS 9

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The company expects to adopt the standard for the first time in the 2019 annual financial statements. The impact of this standard is currently being assessed.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2018.

The company expects to adopt the standard for the first time in the 2019 annual financial statements.

The impact of this standard is currently being assessed.

Notes to the Annual **Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2017

3. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value	
Furniture and fixtures	3 260 854	(2 367 900)	892 954	3 307 416	(1 716 412)	1 591 004
Motor vehicles	2 257 252	(2 043 857)	213 395	2 257 252	(1 479 544)	777 708
Office equipment	2 134 572	(1 213 679)	920 893	2 043 218	(796 681)	1 246 537
IT equipment	1 863 457	(1 243 094)	620 363	1 863 456	(684 742)	1 178 714
Residential furniture	1 039 776	(816 497)	223 279	1 031 278	(608 683)	422 595
Total	10 555 911	(7 685 027)	2 870 884	10 502 620	(5 286 062)	5 216 558

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 591 004	5 824	(52 386)	(651 488)	892 954
Motor vehicles	777 708	-	-	(564 313)	213 395
Office equipment	1 246 537	91 354	-	(416 998)	920 893
Computer equipment	1 178 714	-	-	(558 351)	620 363
Residential furniture	422 595	8 498	-	(207 814)	223 279
	5 216 558	105 676	(52 386)	(2 398 964)	2 870 884

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	1 577 243	499 415	(485 654)	1 591 004
Motor vehicles	1 198 214	-	(420 506)	777 708
Office equipment	1 148 824	471 029	(373 316)	1 246 537
IT equipment	428 786	1 092 524	342 596)	1 178 714
Residential furniture	97 564	425 273	(100 242)	422 595
	4 450 631	2 488 241	(1 722 314)	5 216 558

4. SHORT TERM INVESTMENTS

Available-for-sale		
BIFM Pula Money Market Fund		
BIFM Pula Money Markets Fund Class B. The funds are held on behalf of the Botswana Government for the underwriting fees of BTCL, The funds were remitted when the project was completed in October 2016.	-	250 306 163

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year. The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The company does not hold any collateral as security.

5. TRADE AND OTHER RECEIVABLES

	2017 P	2016 P
Sundry Debtors	3 500	158 359
Employee costs in advance	198 482	304 641
Prepayments	157 259	304 670
Deposits	196 874	196 874
	556 115	964 544

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

Trade and other receivables

	2017	2016
Not rated	397 853	659 874

Trade and other receivables past due but not impaired

At 31 March 2017 and 31 March 2016 there were no trade and other receivables that were past due and considered to be impaired.

Trade and other receivables impaired

There are no trade and other receivable that are impaired.

Fair Value

Fair value of trade and other receivables approximates its carry value.

Notes to the Annual **Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2017

	2017 P	2016 P
6. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	3 151	3 000
Bank balances	668 643	10 741 790
Short-term deposits	9 075 735	8 444 028
	9 747 529	**19 188 818**

Short term deposits includes an unspent balance amount of P9.07 million (2016: P8.4 million) which is exclusively held for expenses relating to a specific project approved by the Ministry of Transport and Communication, Ministry of Minerals, Energy and Water resources, Ministry of Infrastructure, Science and Technology and National Development Bank.

	2017	2016
Cash and cash equivalents (Note 7)	9 747 529	19 188 818
Fair value of cash and cash equivalents		
Bank balances	668 643	19 194 170
Cash on hand	3 151	3 000
Short term investments (Note 6)	9 075 735	250 306 163
	9 747 529	**269 503 333**

7. PAYABLE TO BOTSWANA GOVERNMENT

The Company received a grant for BTCL underwriting fees to the tune of P250 million. These funds have been placed with BIFM Unit Trusts and have been invested in Money Markets Fund Class B, refer to note 4.

	2017	2016
Reconciliation of deferred income		
Opening balance at beginning of year	-	250 306 163

8. TRADE AND OTHER PAYABLES

	2017	2016
Trade payables	184 217	4 073 798
PAYE Control Account	117 433	-
Other payables	94 000	114 201
Accrued leave pay	315 226	413 681
Gratuity provision	853 370	2 062 741
	1 564 246	**6 664 421**

Notes to the Annual **Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2017

9. DEFERRED INCOME

In April 2008, the company received a grant of P21 million from the Ministry of Transport and Communications, and further received an additional grant of P12 million in 2012. The grants received were specifically restricted the use projects approved by the ministry. In 2013, the company received an additional P2.5 million from the ministry of Transport and communications for the implementation of Botswana Telecommunication Corporation (BTC) initial Public offering.

In 2015/2016 P20.9 million was received from the Ministry of Transport and Communication for the further implementation of Botswana Telecommunication Corporation (BTC) initial public offering.

In 2015/2016 P2.5 million was also received from BTCL to cover various public communication costs. The BTCL project was completed in October 2016.

In 2016/2017, P7.7 million was received from the Ministry of Transport and Communication to facilitate an acquisition study being undertaken.

In 2014, PEEPA received a grant of P2.25 million from the Ministry of Minerals, Energy and Water Resources to carry out feasibility study to evaluate possible private sector participation options in the operations Botswana Power Corporation (BPC) and the Electricity Supply Industry (ESI), to improve efficiency in power provision.

In 2014/15, a further P2.48 million and P0.94 million respectively received from the Ministry of Infrastructure Science and Technology through the Department of Building and Engineering Services (DBES) for the development and implementation of an effective maintenance strategy for government buildings.

In 2013/2014, P500 000 was received from the Ministry of Finance and Economic Development for NDB Privatization however the project was halted in 2014/2015 pending government decision.

The amount transferred to the statement of comprehensive income from the deferred income represents the funds utilised by the agency towards these projects.

Notes to the Annual **Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	P	P
Reconciliation of deferred income		
Opening balance at beginning of year	7 685 600	8 600 241
Prior year adjusting entries	51 756	-
Grants received from BTCL	7 794 958	2 500 000
Grants received for BTC project	-	20 928 800
Utilised during the year and recognised in the statement of comprehensive income	(6 532 938	(24 872 853)
Finance income	76 359	529 412
	9 075 735	**7 685 600**
Deferred income as per project		
Ministry of Transport and Communication	7 136 658	5 599 524
African Development Bank	89 972	89 972
Ministry of Minerals, Energy and Water Resources	603 700	603 700
Ministry of Infrastructure, Science and Technology	668 690	864 889
National Development Bank	576 715	527 515
	9 075 735	**7 685 600**

10. REVENUE

	2017	2016
Government funding - subvention	19 161 664	26 687 750
Government funding transfer from deferred income	6 513 287	24 872 242
	25 674 951	**51 559 992**

Notes to the Annual **Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2017

	2017 P	2016 P
11. OPERATING PROFIT (LOSS)		
Auditor's remuneration - external		
Audit fees	74 624	85 156
Employee costs		
Salaries, wages, bonuses and other benefits	12 064 547	12 313 634
Miscellaneous expenses	62 328	65 993
Staff phone allowance	123 090	131 732
Gratuity	2 227 246	2 315 661
Total employee costs	14 477 211	14 827 020
Leases		
Operating lease charges		
Premises	1 768 147	1 715 843
Depreciation and amortisation		
Depreciation of property, plant and equipment	2 398 964	1 722 314
12. INVESTMENT INCOME		
Interest income		
From investments in financial assets:		
Bank	107 962	39 581
13. CASH GENERATED FROM (USED IN) OPERATIONS		
(Deficit)/surplus before taxation	(8 485 352)	(366 227)
Adjustments for:		
Depreciation	2 398 964	1 722 314
Interest income	(107 962)	(39 581)
Changes in working capital:		
Trade and other receivables	408 429	(133 675)
Trade and other payables	(5 100 175)	(2 709 650)
Deferred income	1 390 135	(914 641)
	(9 495 961)	(2 441 460)

Notes to the Annual **Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	P	P
14. COMMITMENTS		
Operating leases - as lessee		
Minimum lease payments due		
- within one year	1 925 978	664 609
- in second to fifth year inclusive	2 135 325	95 700
	4 061 303	760 309

Operating lease payments represent rentals payable by the Agency for office and residential properties. Leases are negotiated for an average term of three years. No contingent rent is payable.

Notes to the Annual **Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	P	P

15. RELATED PARTIES

Those charged with governance and management

Mr. T. Tshekiso
Prof. H. K. Siphambe
Ms. P. Motswagole
Ms. G. N. Mosalakatane
Mr. D. Phetlhu
Mr. .K H. Munamati
Ms. M. V. Kabomo
Mr. K. M. Ramaphane
Ms. T. Diswai

Related party balances

	2017 P	2016 P
Grants from related parties recognised as deferred income		
Ministry of Transport and Communications	7 136 658	5 599 524
Ministry of Minerals, Energy and Water Resources	603 700	603 700
Ministry of Infrastructure, Science and Technology	668 690	864 889
National Development Bank	576 715	527 515
	8 985 763	7 595 628

Related party transactions

	2017 P	2016 P
Amount paid to directors		
Sitting allowances	94 931	85 738
Subvention received		
Government of Botswana	19 161 664	26 687 750
Grants Received for Projects		
Ministry of Transport and Communications	7 794 958	273 428 800

16. CATEGORIES OF FINANCIAL INSTRUMENTS

	Note	Loans and receivables	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Categories of financial instruments - 2017					
Assets					
Non-Current Assets					
Property, plant and equipment	3	-	-	2 870 884	2 870 884
Current Assets					
Trade and other receivables	5	200 374	-	355 741	556 115
Cash and cash equivalents	6	9 747 529	-	-	9 747 529
		9 947 903	-	355 741	10 303 644
Total Assets		9 947 903	-	3 226 625	13 174 528
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent:					
Retained income		-	-	2 534 547	2 534 547
Total Equity		-	-	2 534 547	2 534 547
Liabilities					
Current Liabilities					
Trade and other payables	8	-	1 564 247	-	1 564 247
Deferred income	9	-	-	9 075 735	9 075 735
		-	1 564 247	9 075 735	10 639 982
Total Liabilities		-	1 564 247	9 075 735	10 639 982
Total Equity and Liabilities		-	1 564 247	11 610 282	13 174 529

16. CATEGORIES OF FINANCIAL INSTRUMENTS

	Note	Loans and receivables	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Categories of financial instruments - 2016					
Assets					
Non-Current Assets					
Property, plant and equipment	3	-	-	5 216 558	5 216 558
Current Assets					
Trade and other receivables	5	355 233	-	609 311	964 544
Short term investments	4	250 306 163	-	-	250 306 163
Cash and cash equivalents	6	19 188 818	-	-	19 188 818
		269 850 214	**-**	**609 311**	**270 459 525**
Total Assets		**269 850 214**	**-**	**5 825 869**	**275 676 083**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent:					
Retained income		-	-	11 019 899	11 019 899
Total Equity		**-**	**-**	**11 019 899**	**11 019 899**
Liabilities					
Current Liabilities					
Trade and other payables	8	-	6 664 421	-	6 664 421
Deferred income	9	-	-	7 685 600	7 685 600
Payable to Botswana Government	7	-	-	250 306 163	250 306 163
		-	**6 664 421**	**257 991 763**	**264 656 184**
Total Liabilities		**-**	**6 664 421**	**257 991 763**	**264 656 184**
Total Equity and Liabilities		**-**	**6 664 421**	**269 011 662**	**275 676 083**

17. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The agency'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 Agency's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Agency's financial performance. Risk management is carried out by the finance department under policies approved by the board. Agency finance division identifies, evaluates and hedges financial risks in close cooperation with the Agency's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity.

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through government grants and the ability to close all market positions. Due to the dynamic nature of underlying businesses, Agency's finance department monitors funding by the use of budgets.

The Agency's risk to liquidity is a result of the funds available to cover future commitments. The Agency manages liquidity risk through an ongoing review of future commitments and monitors funds by the use of budgets.

Cash flow forecasts are prepared and monitored.

The table below analyses the Agency's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2017	Less than 1 year
Trade and other payables	1 474 247

At 31 March 2016	Less than 1 year
Trade and other payables	6 664 421

INTEREST RATE RISK

As the Agency has interest-bearing assets in cash deposited with financial institutions. If interest rates were to increase/decrease the impact on the statement of comprehensive income would be negligiable. As such the Agency's income and operating cash flows are substantially independent of changes in market interest rates.

Notes to the Annual **Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2017

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivables. The Agency only deposits cash with major banks with high quality credit standing and limits exposure to any counter-party. The Agency has deposits with Stanbic Bank Botswana Limited, Stanlib Investment Managements Services, Banc ABC Limited, First National Bank of Botswana Limited, BIFM Pula Money Market fund and Barclays Bank Botswana Limited. There are no credit ratings available in Botswana.

Barclays Bank of Botswana Limited is listed on the Botswana Stock Exchange and is a subsidiary of Barclays plc, which is listed on the London Stock Exchange and has a credit rating of AA- (Fitch rating).

Stanbic Bank Botswana Limited is a long established bank in Botswana and a subsidiary of Standard Bank in South Africa. Standard Bank South Africa is listed on the Johannesburg Stock Exchange and has a long term credit rating of BBB (Fitch rating).

Stanlib Limited is a subsidiary of Standard Bank South Africa and Liberty holdings. Liberty Holdings is listed on the Johannesburg Stock Exchange and has a long term credit rating of AA- (Fitch rating).

Banc ABC is a subsidiary of Atlas Mara. Atlas Mara is listed on the London Stock Exchange and has substantial holdings in various African banks.

First National Bank of Botswana Limited is listed on the Botswana Stock Exchange and is a subsidiary of First Rand Limited, a company listed on the Johannesburg Stock Exchange.

BIFM Pula Money Market Fund operated by Botswana Insurance Holdings Limited is a locally listed entity which has grown as a Fund manager with over 40 years of investment heritage.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Trade and other receivables	-	1 673 834
Bank balances	668 643	10 741 790
Short term deposits	9 075 735	8 444 028
Short term investments	-	250 306 163

FOREIGN EXCHANGE RISK

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

At 31 March 2017, if the currency had weakened/strengthened by 5% against the US dollar with all other variables held constant, the deferred income for the year would have been P (P52) lower/higher, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated cash and cash equivalents.

FOREIGN CURRENCY EXPOSURE AT THE END OF THE REPORTING PERIOD

Current assets		
Bank balances as at 30 March 2017: USD 143 (2016: USD 143)	1 278	1 278

Detailed Income Statement

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 P	2016 P
Revenue			
Government funding - subvention		19 161 664	26 687 750
Government funding transfer from deferred income		6 513 287	24 872 242
	10	25 674 951	51 559 992
Other operating income			
Other income		43 780	41 677
Other operating expenses			
Advertising		(78 361)	(99 636)
Auditors remuneration - external auditors	11	(74 624)	(85 156)
Board member fees and expenses		(154 230)	(139 651)
Consulting and professional fees - legal fees		(126 366)	(126 366)
Consulting and professional fees - AFDB projects		(196 199)	(258 537)
Consulting and professional fees - BTC projects		(6 317 088)	(24 613 705)
Consulting and professional fees - NDB projects		(15 376)	(22 045)
Consulting and professional fees - PEEPA projects		(2 619 008)	(2 509 112)
Depreciation		(2 398 964)	(1 722 314)
Employee costs		(14 477 211)	(14 827 020)
Insurance		(333 674)	(352 220)
Lease rentals on operating lease		(1 768 147)	(1 715 843)
Motor vehicle expenses		(321 452)	(119 088)
Other expenses		(2 368 194)	(2 005 320)
Printing and stationery		(465 773)	(261 287)
Public relations and hospitality		(797 282)	(1 002 573)
Recruitment		(297 698)	(111 477)
Subscriptions		(12 683)	(79 076)
Telephone and fax		(393 810)	(373 964)
Training		(478 683)	(977 063)
Transport and freight		(12 120)	(7 140)
Travel		(524 889)	(451 733)
Workshop and conference attended		(70 599)	(24 692)
Workshops & conference conducted		(9 614)	(122 459)
		(34 312 045)	(52 007 477)
Operating (deficit)/surplus	11	(8 593 314)	(405 808)
Investment income	12	107 962	39 581
(Deficit)/surplus for the year		(8 485 352)	(366 227)

The accounting policies on pages 49 to 55 and the notes on pages 56 to 70 form an integral part of the annual financial statements.

DEPUTY CEO MS. TINY DISWAI HANDING OVER GIFTS TO THE GAMBIA BENCHMARKING DELEGATION

Notice to the **Annual General Meeting**

Notice is hereby given that the 2017 annual general meeting of members will be held at PEEPA Boardroom, Plot 64511, unit 1 & 2, Chillesford House, Fairgrounds Office Park, Gaborone on 31 October 2017 at 0900hrs for the following business.

AGENDA

1. To read the notice convening the meeting.

2. To receive, consider and adopt the audited annual financial statements together with the Auditors and Directors' Report for the year ended 31 March 2017.

3. To transact such other business as may be transacted at an Annual General Meeting.

A member entitled to attend and vote, may appoint a proxy to attend and vote for him/her, on his/her behalf and such proxy need not also be a member of the company. The instrument appointing such a proxy must be deposited at the registered office of the company not later than 48 hours before the meeting.

BY ORDER OF THE BOARD

Neo Ebineng of KNN Business Consultants
Company Secretary

REGISTERED OFFICE

Plot 64511
Chillesford House
Fairgrounds Office Park
Gaborone