ABOUT BNPC

The Botswana National Productivity Centre (BNPC/The Centre) is a parastatal organisation established through an Act of Parliament in 1993. The statutory mandate of the Centre is to enhance the national level of productivity consciousness, as an advocacy function, and to enable individuals and organisations, through training and consulting, to be productive. This is expected to enable both Botswana as a country, and her institutions to be globally competitive. The Centre has a tripartite Board, which comprises representatives of core stakeholders, which are government, employers and workers' organisations.

BNPC's Mandate

- Stimulate and generate productivity consciousness in Botswana;
- Promote increased productivity in all sectors of the economy;
- Improve and develop standards of management in all aspects and at all levels;
- Promote good labour management relations; and
- Foster equitable productivity gain sharing between management, workers and consumers.

BNPC is made up of four (4) operations programmes and four (4) support departments, as well as a Regional Office in Francistown namely:

- Productivity and Quality Programme;
- Public Service Programme;
- Enterprise Support Programme;
- Information and Research Services Department;
- Finance Department;
- Marketing Department;
- Human Resources Department;
- Corporate Services Department and Directorate; and
- Francistown Regional Office.

The BNPC participates in the Annual HATAB Conference in Kasane. The Theme was 'Sustainable Tourism: A driving force for job creation, economic growth and development'. The BNPC will also present a topic on The importance of being customer centric in the tourism industry; Reasons and benefits.

CONTENTS

BOARD OF DIRECTORS

MR NELSON LETSHWENE
Board of Directors Chairperson

Chairperson - Managing Director of Moedi Learning Technologies, a company whose Services include Business Development, Product Development and Personal Finance, Training and Facilitation. Mr Letshwene is also an author and writer. He has published four personal finance books. He also writes columns on local media on personal finance.

Academic Qualifications
- Bachelor of Commerce (Honours) - Business Management & Personal Economics - University of South Africa 2004
- Bachelor of Commerce - Accounting and Business Economics - University of The Witwatersrand 1993
- Intermediate Certificate in Business Studies - Insurance Institute of Southern Africa (2003)
- Post Graduate Diploma - Financial Planning

Board Directorships
- Botswana National Productivity Centre
- Y Care Charitable Trust

MR NORMAN T MOLEELE
Deputy Chairperson and Chairperson of the Board Strategy Management Committee

He is the Chief Executive Officer at Business Botswana. His responsibilities include; driving the overall strategy, risk and management of Business Botswana focusing on private Sector growth and Social development, research policy and advocacy, establishing international partnerships and contribution to the country's accelerated economic growth agenda.

Academic Qualifications
- MSc (Strategic Management) - University of Derby – UK.
- Post Graduate Diploma (Law) - University of Namibia
- Post Graduate Diploma (Business Administration) - Milpark Business School/ Thames Valley University – London (UK).

Board Directorships
- Botswana National Productivity Centre
- Bolux Group
- National Committee on Trade Policy and Negotiations
- Botswana Coalition on AIDS
- Botswana International University of Science and Technology

MR CHRISTOPHER MMUSI DISWAI
Executive Director

His responsibilities are among others to; lead, direct and provide overall strategic direction to the Centre. Christopher has over 26 years' experience, primarily in ICT sector. He is highly experienced in Strategic Planning and Management, Programme and Project Management, Business Transformation, Change Management and Operations and Risk Management. He previously worked for Camusat Botswana, Lacell in Burundi and Orange, Botswana in various sections. He also previously worked as a General Manager for Strategy for Botswana Telecommunications Corporation (BTC). At BTC he also held dual roles of General Manager Strategy and Chief Operations Officer, responsible for, amongst other duties, Operations and Risk Management.

Academic Qualifications
- BEng (Electrical Engineering) - Bangalore University, India.
- Diploma in Management - Henly Management College, UK
- Master of Business Administration - Henly Management College, UK
- Advanced Management and Leadership Programme - Oxford University, UK
- Certified Strategy Officer, Germany

Board Directorships
- Botswana National Productivity Centre

BOARD OF DIRECTORS

MRS MAIPELO PELOTSHWEU MOTSHWANE
Chairperson of the Board Audit, Finance and Risk Committee

She is an independent member of the Board. She is an Accountant by profession, who before retirement, worked for Air Botswana and Debswana Pension Fund. She also had previously held other positions at Debswana Diamond Company including Finance Manager-Business Partnerships, Finance Manager Projects and Group Management Accountant.

Academic Qualifications
- B.Com (Accounting and Audit) – University of Botswana
- Chartered Institute of Management Accountants (CIMA)
- Associate Chartered Management Accountant (ACMA)
- Associate Chartered Public Accountant (ACPA) (BIA)
- Associate Chartered Accountant (ACA)
- Chartered Global Management Accountant (CGMA)

Board Directorships
- Botswana National Productivity Centre
- First National Bank of Botswana Pension Fund Board of Trustees

MR MOLEFI STANLEY KEAJA
Chairperson of Board Procurement & Asset Disposal Committee

Mr Keaja is the Deputy Director at the Directorate of Public Service Management (DPSM). Among his key responsibilities at DPSM are Assisting Director on Human Resource Policy Formulation, Public Service Training Policy Human Resource Information System and Human Resource Management Reforms.

Mr Keaja started his career in the Public Service as an Assistant Economist in 1988 in the Ministry of Local Government and Rural Development. He rose through the ranks to Principal Economist, Deputy Town Clerk and Council Secretary. He was appointed Deputy Permanent Secretary (Governance) in the Ministry of Local Government and Rural Development in 2009 and Permanent Secretary, Ministry of Local Government and Rural Development from 2015 to 2017.

Academic Qualifications
- MSC –Development Economics – London School of Economics
- BA Economics and Demography – University of Botswana

Board Directorships
- Botswana National Productivity Centre

BOARD OF DIRECTORS

MRS GRACE SIAMISANG
Chairperson of the Board Human Resources Committee

She is Manager, Human Resources Services at Botswana Unified Revenue Services (BURS). Prior to joining BURS, Mrs Siamisang worked at Directorate of Public Service Management (DPSM), where she was among others responsible for initiating and facilitating formulation of terms and conditions of employment for the Public Service relating to compensation and benefits.

Academic Qualifications
- MA (Human Resources Management) Hawaii Pacific University, Hawaii, U.S.A.
- BA (Public Administration and Accounting) University of Botswana

Board Directorships
- Botswana National Productivity Centre

MR KEEPER MORGAN
Member of the Board Audit, Finance and Risk Committee

He is Director Commercial Enterprises at Botswana Bureau of Standards (BOBS). His responsibilities include; planning, coordinating, initiating and managing the formulation of policies and strategies. Prior to ascending to his current post, he held several other posts at the BOBS including: Acting Director of Quality Assurance and Manager-Laboratory Services (Industrial Metrology)

Academic Qualifications
- MBA – University of Botswana
- M.Sc. (Digital Electronics) - University Wales College of Cardiff - U.K.
- B.Eng. (Electrical and Electronics) – Birla Institute of Technology - India

Board Directorships
- Botswana National Productivity Centre
- Member of the Botswana Institution of Engineers

BOARD OF DIRECTORS

DR BATLANG COMMA SEREMA
Member of the Board Strategy Committee and Board Human Resources Committee

He is a Senior Lecturer at University of Botswana (UB), whose responsibilities include lecturing and supervising Masters and PhD students, as well as contributing to the development and maintenance of a strong research programme in Information Systems. His previous employers include Botswana Democratic Party as Executive Secretary, National Assembly as Senior Research Officer and later Principal Information and Public Relations Officer.

Academic Qualifications
- PhD (Information and Policy Making - (University of London) UK
- MSc. Information Analysis (Corporate Strategy and Business & Government Information) Robert Gordon University, Scotland
- BA (History & Environmental Science) - University of Botswana

Board Directorships
- Botswana National Productivity Centre

DR MOREETSI THOBEGA
Member of the Board Audit, Finance and Risk Committee

He is Director, Research and Policy Development at Botswana Examinations Council (BEC). His responsibilities include guiding and directing research programmes that inform BEC practice and policy decisions. Dr Thobega's past immediate employer was the then Botswana College of Agriculture (1997 -2010) where his post was Senior Lecturer.

Academic Qualifications
- PhD. (Agricultural Education and Studies), Iowa State University of Science and Technology. USA
- MSc. (Agricultural Education and Studies), Iowa State University of Science and Technology.
- BSc – Agriculture, Botswana College of Agriculture/University of Botswana
- Post Graduate Diploma in Education, University of Botswana.

Board Directorships
- Botswana National Productivity Centre

EXECUTIVE COMMITTEE [EXCOM]

CHRISTOPHER MMUSI DISWAI
Botswana National Productivity Executive Director.

KOBATSAMPA MDLULI
Acting Enterprise Support Programme Manager

MPHO D PILANE
Acting Corporate Services Manager

MOTABASEYO LESOKOLA
Internal Auditor Manager

BERNARD MAPHANGELA
Acting Public Support Programme Manager

MATLHO JENNIFER KGOSI
Acting General Manager

EXECUTIVE COMMITTEE [EXCOM]

PHUMZILE MAGAGULA-THOBOKWE
Research and Information Services Manager

TEEDZANI MAJAULE -
Productivity & Quality Programme Manager

MAEMO LOUIS THOKWANE
Finance Manager

TSHENOLO MAPITSE
Francistown Regional Office Manager

DAVID-GEORGE MOLOI
Human Resources Manager

TSWELELO KEBATLILE
Board Secretary

CHAIRPERSON'S STATEMENT

I am pleased to report another successful but challenging year; The Centre posted a good financial performance, despite the continued decline in uptake of the Centre's products and services.

I take this opportunity to share BNPC's successes in delivering value to the country as well as highlight the challenges we faced in our journey.

Corporate Performance

2018-19 marked the first year into the Centre's 5-year Strategic Plan (2018-2023). The Centre's strategic direction is centred around 3 thematic areas: Enterprise Productivity, Sustainable Capability Building and Labour Productivity. Overall performance for the year stood at 73.8%, as measured against the Centre's strategic objectives for the period.

During the financial year under review, work revolved around long-term consultancy (e.g. Strategic Planning; Quality Management Systems; Industrial/ Labour Management Relations; Kaizen and Process Reengineering). This is an indication that the Centre's objective of transforming organisations into competitive and productive entities through consultancy is beginning to bear fruit. This is attributed to the attractiveness of the interventions in the market and the nature of impact achieved through such engagements. Key funded Strategic Initiatives undertaken during the year under review, include:

- *Turnaround Solutions*
- *National Service Framework*
- *Botswana Investment and Trade Centre Export Readiness*
- *Productivity Campaigns*

Challenges encountered in delivering these projects included resourcing; both financial and human capital which negatively impacted project delivery timelines.

Financial Performance

The Audited Financial Statement for the year ended 31st March 2019 reflect an overall accumulated surplus improvement. P15.03m was recorded against a surplus of P11.29m during the previous reporting period. The improved surplus position is mainly attributable to cumulative savings and satisfactory performance from the previous years. The Board notes with concern, however, that

CHAIRPERSON'S STATEMENT

internally generated income continues to decline, mainly due to the continued low uptake of our products and services. Operating Income declined by 9%, from P6.60m in the previous reporting period to P5.98m in the current reporting period. This decline is attributable, mainly to fewer activities in self-liquidating projects and assignments.

Funding continues to become a challenge for the Centre as the Centre still heavily relies on the Government Grant to finance its developmental and operational activities. During the year under review, 87% of expenditure was financed through Government grant, with only 13% from internally generated revenues.

The grant, whilst highly appreciated, has proven to be insufficient as it constrains the Centre's ability to undertake key strategic and transformational initiatives, as well as competitively remunerating employees. The internally generated income continues to decline and this may pose a threat to the Centre's future sustainability, if the situation does not improve. The BNPC strategy, is poised to ensure reversal of this trend. The Board is confident, the newly appointed Executive Director, Christopher Mmusi Diswai, shall help steer the Centre's fortune in a positive direction.

Organizational Restructuring

The organizational restructuring exercise, which was commenced during the financial year 2016-17, is at an advanced stage and should be concluded by end of March, 2020. The project, which has been overly protracted, has been characterized by internal delays and inefficiencies, unfortunately attributable to the current organizational structure and its resourcing. The very structure the project is expected to fix. The exercise is intended to realign the Organizational structure to support the 2018-2023 Strategic Plan, rationalize functions and staff roles to comply with current and future trends. The Restructuring is intended to optimally align the Organizational Structure to better deliver to the mandate of the Centre.

ISO 9001:2015 Re-Certification

I reported, in my last Annual Report Statement, that BNPC was certified ISO 9001:2008 in 2009; and that the particular ISO standard would become obsolete in September, 2018. Since then, the Centre has reviewed its Quality Management Systems (QMS) processes, with a view to migrating the Centre from the obsolete ISO 9001:2008 to the new replacement standard, ISO 9001:2015 QMS Standard. I am happy to have to report that, the Centre has since applied for, and been certified ISO 9001:2015 compliant. The Centre was issued with the compliance certificate on 24th September, 2018.

Corporate Governance

The Centre subscribes to Good Corporate Governance and continues to enhance its governance framework through continuous improvement of its structures, policies and processes.
During the year, the Board reaffirmed its accountability and responsibility over Risk Management by improving the scope of the Audit, Finance and Risk Committee which has the Board's designated authority. The Centre for the first time, has also appointed a Board Secretary who shall assist the Board in its pursuit to meet governance requirements.

Global and national pressures, increased regulatory concerns and other corporate issues are placing continued emphasis on board performance. Good governance requires boards to have effective processes and to evaluate their performance and appraise directors on a regular basis. Plans are well in place for the BNPC Board to implement and institutionalize Board Assessment for the Centre; with a view to having the process in place during the financial year 2019-20.

Conclusion

On behalf of the Board, Management and Staff I would like to reaffirm the Centre's commitment to deliver impactful solutions which address national imperatives. We are committed to building and reinforcing good relationships with all our stakeholders and using their feedback to guide our products and solutions development process.

In conclusion I would like to recognize the support of our parent Ministry and the contribution of my fellow Board members, Management and the BNPC staff in making 2018-19 another year of solid performance.

Nelson Letshwene

Nelson Letshwene
Board Chairman

CORPORATE GOVERNANCE

1. Statement of Commitment

The BNPC Board as the custodian of the Centre's Corporate Governance is responsible for ensuring that the Centre adopts principles of Corporate Governance. The Board has adopted the King Code of Corporate Governance III as well as the Botswana Corporate Governance Code.

2. Board's Governance and Structure

Section 4(1) of the Botswana National Productivity Centre Act of 1993 establishes the Board which is mandated with governing the Centre. The Board is also responsible for the Centre's strategic direction, approving key policies and ensuring that the Centre meets stakeholder needs.

2.1 Board Charter

The Board Charter regulates the parameters within which the Board operates whilst also ensuring the application of the principles of good corporate governance in all dealings by, in respect of and on behalf of the Centre.

The Charter defines the role of the Board, clarifies their fiduciary responsibilities and composition. The Board's principal duties include;

a) *Formulation and implementation of the Centre's Strategy;*
b) *Monitoring and evaluation of organizational performance;*
c) *Identification and management of key risks;*
d) *Ensuring compliance with statutes, regulations, business and ethical standards as well as principles of good corporate governance;*
e) *Ensuring that there is in place a sound system of controls;*
f) *Looking out for the welfare and appropriate staffing.*

The Charter is reviewed every two years to ensure its adaptation to recent changes in law and corporate governance while also being responsive to emerging issues.

Board Committees

In an effort to fulfill its responsibility, the BNPC Board is assisted by committees. The delegation of some of the Board's functions to the Committees does not translate into relinquishment of the Board's responsibilities. These Committees are;

a) *Audit, Finance and Risk Committee*
The Audit, Finance and Risk Committee provides the Board with objective advice and assurance regarding the effective operation of the system of internal control; compliance with the relevant legislative requirements and implementation of risk management. The Committee also ensures that the management accounts and annual financial statements provide adequate assurance that the financial disclosures made by Management portray the true picture of the Centre's financial standing, as well as the results of operations and long term commitments.

CORPORATE GOVERNANCE

BNPC Facilitates Smart Work Ethics Training for Ministry of Employment Labour Productivity and Skills Development (MELSD).

b) *Strategy Committee*
The Strategy Committee considers the Centre's operational Strategy, together with its related supporting policies and initiatives, before recommending them to the Board for approval. Further, the Committee is responsible for guiding and monitoring performance of the Centre against strategy.

c) *Human Resources Committee*
The Human Resources Committee's function is to consider and recommend human resources strategy and supporting policies, as well as recommend appointment of Executive Management to the Board.

d) *Procurement and Asset Disposal Committee*
The Procurement and Asset Disposal Committee is responsible for considering procurement policies together with supporting procedures and guidelines; adjudicate tenders and dispose-off unserviceable items within defined limits.

Board Composition

The Board is constituted by 9 Directors; 2 of whom are Independent Non–Executive Directors, 6 are Non-Executive Directors and 1 Executive Director. There are currently 4 vacancies in the Board.

Board Member's Skills and Diversity

The Centre has a Board made up of highly qualified directors from diverse backgrounds, qualifications, experience, functional expertise, and personal skills and qualities. This allows for infusion of diverse perspectives in decision making.

Board Meetings

The Board meets every quarter to ensure that the duties of the Committees are carried out effectively and diligently.

CORPORATE GOVERNANCE

April 2018 to March 2019 Board and Subcommittee Meetings Held

NAME	BOARD OF DIRECTORS	HUMAN RESOURCES COMMITTEE	PROCUREMENT & ASSET DISPOSAL COMMITTEE	AUDIT, FINANCE AND RISK COMMITTEE	STRATEGY COMMITTEE
Mr N Letshwene	4/4				
Mr N Moleele	3/4				3/3
Ms G Siamisang	4/4	4/4			
Mr K Morgan	4/4		1/1	3/3	
Dr M Thobega	3/4		1/1	3/3	
Mr T Butale	1/4	4/4			
Mrs M Motshwane	4/4			3/3	
Dr B Serema	4/4	3/4			3/3
Mr M Keaja	4/4		1/1		
Mrs Keganele Malikongwa	1/4				
Mr B M Molake	3/4	2/4	1/1	2/3	1/3
Mr T Majaule	1/4	2/4		1/3	2/3

End of Tenure/Resignations

Mr T Butale: End of tenure
Mrs Keganele Malikongwa: End of tenure
Mr B M Molake (former Executive Director): End of Tenure
Mr T Majaule (Acting Executive Director)

BNPC Risk Management

The Board (through the Audit Finance and Risk Committee) is responsible for satisfying itself that a sound system of risk oversight and management exists and that internal controls are effective. In particular, the Board seeks assurance that:

- *the key strategic, operational, financial and compliance risks are identified; and systems are in place to assess, manage, monitor and report on these risks and that these systems are rigorously tested to ensure that they are operating effectively.*

The Centre's Management is responsible for designing and implementing risk management and internal control systems to manage the Centre's business risks. This comprises:

- *the identification of core strategic, operational, financial and compliance risks;*
- *the identification and monitoring of emerging business risks; and*
- *assessment, monitoring and mitigation of identified risks.*

CORPORATE GOVERNANCE

On an annual basis, the Internal Audit function facilitates a formal bottom-up, organisation-wide risk management process with the business. Outcomes are shared with the Audit, Finance and Risk Committee.

Management has reported to the Board (through the Audit, Finance and Risk Committee) on the effectiveness of the management of the material business risks faced by the Centre during the year. The Audit, Finance and Risk Committee has reviewed the risk management framework and is satisfied that it continues to be sound.

The following matters are considered key to the Centre in this regard and have been extracted from the Centre's Risk Register which is used on an on-going basis by Internal Audit which reports on a quarterly basis to the Audit, Finance and Risk Committee.

Key risk area

IDENTIFIED KEY RISKS	MITIGATION STRATEGIES
Decline in government subventions resulting in the Centre not focusing on key imperatives of the economy	Prioritisation of strategic projects Restructuring Development of Shareholder Compact Annual rationalisation of budget
Inadequate measurement system	Strategy Unit established to coordinate strategy management process Development of Monitoring and Evaluation framework Measure impact of the Centre's interventions
Inadequate resourcing of projects (Human, funding, support and commitment) and Unsystematic selection and prioritisation of initiatives put pressure on limited resources	Funding only prioritised projects Focus on selected sectors for impact Outsource or partner to deliver and implement certain projects
High level of compliance requirements from regulatory bodies by State owned Enterprises Botswana Qualifications Authority (BQA), Botswana Accountancy Oversight Authority (BAOA) and Public Enterprises Evaluation and Privatisation Agency (PEEPA) and ISO in case of BNPC.	Board Secretary office established Implementation of Shareholder Compact Performance monitoring and appraisal of Board and the Centre Board appointments Induction for the Board BQA accreditation

Internal Audit Function

The Internal Audit function provides independent and objective assurance to Management and the Board on the effectiveness of Centre's internal control, risk management and governance systems and processes. The function is led by the Internal Audit Manager, who oversees the execution of the internal audit plan as approved by the Audit, Finance and Risk Committee. The Internal Audit Function has a reporting line to the Chief Executive Officer as well as to the Audit, Finance and Risk Committee.

The internal audit plan is formulated using a risk-based approach to align audit activity with the key risks of the Centre. Internal audit activity and outcomes are reported to the Audit, Finance and Risk Committee on a quarterly basis.

As noted above, the Centre has adopted King III Code of Corporate Governance. Below are the requirements that the Centre applied in the year under review. Status is indicated

CORPORATE GOVERNANCE

King III Checklist

Chapter 1: Ethical leadership and corporate citizenship		
1.1	The Board should provide effective leadership based on an ethical foundation.	The Board and its Committees developed and updated charters to guide behavior and functions.
1.2	The Board should ensure that the company is and is seen to be a responsible corporate citizen.	The Centre is in the process of developing a Corporate Social Investment Policy which will guide the Centre in its corporate responsibility agenda. The Centre nonetheless made a number of donations.
1.3	The Board should ensure that the company's ethics are managed effectively.	The Centre has a Code of Conduct. The Code enforces ethical business practices. The Centre however is yet to conduct an Ethics Assessment.
Chapter 2: Boards and Directors		
2.1	The Board should act as the focal point for and custodian of corporate governance.	The Centre continues to equip board members with corporate governance skills and develop structures. The Board is committed to and endorses the highest standards of corporate governance.
2.2.	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	The board committees meet on a quarterly basis to review and direct strategy and risk management in this regard in an integrated manner. The Board is responsible for aligning the strategic objectives, vision and mission with performance and sustainability considerations. The Centre's risk management process considers a plethora of risks including strategic and operational risk encompassing performance and sustainability.
2.3	The Board should provide effective leadership based on an ethical foundation.	The board is in the process of developing a performance management system for the board. The Board is committed to highest standards of integrity through the Board approved Code of Conduct.
2.4	The Board should ensure that the company is and is seen to be a responsible corporate citizen.	The development of the Corporate Social Investment Policy will guide the Centre's CSI agenda. This is currently in process. Donations were made to disaster stricken communities during the year under review.
2.5	The Board should ensure that the company's ethics are managed effectively.	The Code of Conduct promotes ethical conduct within the Centre.
2.6	The Board should ensure that the company has an effective and independent audit committee.	Only one Member of the Committee is an independent non-executive director.

CORPORATE GOVERNANCE

2.7	The Board should be responsible for the governance of risk.	The Board Audit Committee has been delegated this oversights role by the Board.
2.8	The Board should be responsible for information technology (IT) governance.	The Centre has an ICT Strategy in place. ICT Findings and Observations Reports are reported to the Board through the Audit, Finance and Risk Committee.
2.9	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	The Board Secretary is responsible for compliance. A Compliance Framework is yet to be drawn and implemented.
2.10	The Board should ensure that there is an effective risk-based internal audit.	The Centre has an Internal Audit Function which audits in accordance with risk based methodologies.
2.11	The Board should appreciate that stakeholders` perceptions affect the company's reputation.	The Centre manages its various stakeholders through the Centre's Marketing Strategy. The Strategy has identified stakeholder needs and expectations.
2.12	The Board should ensure the integrity of the company's integrated report.	Each year and in line with good corporate governance, the Centre reports on the Financial Statements and issues of Corporate Governance, as well as strategic performance.
2.13	The Board should report on the effectiveness of the company's system of internal controls.	The Board through the Audit, Finance and Risk Committee ensures and monitors the effectiveness of internal controls.
2.14	The Board and its directors should act in the best interests of the company.	The Board acknowledges its fiduciary role and is required to act at all times in the best interest of the Centre. Declaration of Interest Register is maintained at all Committee and Board meetings.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	Going Concern Reviews are conducted annually as part of the external audit process.
2.16	The Board should elect a chairman of the Board who is an independent non-executive director. The chief executive officer of the company should not also fulfil the role of chairman of the Board.	The Chairman is an Independent Non – Executive Director. The CEO is also not the Chairman of the Board.
2.17	The Board should appoint the chief executive officer and establish a framework for the delegation of authority.	The Board made a recommendation to the parent Ministry for the appointment of the CEO in line with the BNPC Act. No performance assessment for the CEO was undertaken during the period under review. The Centre is yet to finalize the Succession Policy.

CORPORATE GOVERNANCE

2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	The Board has one Executive Director in line with the BNPC Act. Only 2 Directors are Independent Non-Executive Directors.
2.19	Directors should be appointed through a formal process.	The BNPC Act sets out the appointment process which process is driven by the Minister.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	New appointees to the Board are familiarized with the business of the Centre through a customized induction programme.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	The Centre has a qualified Board Secretary.
2.22	The evaluation of the Board, its committees and the individual directors should be performed every year.	No Board Evaluation was undertaken during 2018/19 however plans are underway to carry out same from the next financial year
2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	The Board has delegated certain functions without abdicating its own responsibilities to the following committees: i) Audit, Finance and Risk Committee; ii) Strategy Committee; iii) Human Resources Committee; and iv) Procurement and Asset Disposal Committee.
2.24	A governance framework should be agreed between the group and its subsidiary Boards.	This is not applicable to the Centre.
2.25	Companies should remunerate directors and executives fairly and responsibly.	Directors are paid a sitting allowance in line with the directive of Ministry while employee remuneration is guided by a Board approved Salary Structure.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	The remuneration of the directors is consolidated under related party disclosure.
2.27	Shareholders should approve the company's remuneration policy.	The Centre is yet to develop a Remuneration Policy.

CORPORATE GOVERNANCE

CHAPTER 3 : Audit Committee		
3.1	The Board should ensure that the company has an effective and independent audit committee.	The Centre has an Audit, Finance and Risk Committee however only the Committee Chairperson is an Independent Non-Executive Director.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	The 4 Members of the Audit, Finance and Risk Committee are all suitably skilled and experienced directors. Only one of the directors however, is an Independent Non-Executive Director.
3.3	The audit committee should be chaired by an independent non-executive director.	The Chairman of the Committee is an Independent Non-Executive Director.
3.4	The audit committee should oversee integrated reporting.	The Committee oversees integrated reporting.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	BNPC has a structured combined assurance model which includes management; risk management; quality management systems; and segregated assurance levels. The Committee oversees the assurance activities to ensure that they are constructed in a coordinated manner.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	The Committee is yet to review the Finance Function.
3.7	The Audit Committee should be responsible for overseeing of internal audit.	The Committee reviews and approves internal audit function.
3.8	The Audit Committee should be an integral component of the risk management process.	The Committee reviews the Centre's risk management.
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	The Committee recommends to the Board the appointment of the Centre's external auditors. The committee also oversees the audit process.
3.10	The audit committee should report to the Board and shareholders on how it has discharged its duties.	The Committee formally reports to the Board quarterly.

CORPORATE GOVERNANCE

Chapter 4: The Governance of Risk		
4.1	The Board should be responsible for the governance of risk.	The Audit, Finance and Risk Committee is responsible for overseeing the Centre's risk management programme. It further reports to the Board which retains ultimate responsibility for the control and mitigation of risk.
4.2	The Board should determine the levels of risk tolerance.	The Audit, Finance and Risk Committee assesses the levels of risk tolerance and risk appetite for the Centre.
4.3	The risk committee or audit committee should assist the Board in carrying out its risk responsibilities.	The Audit, Finance and Risk Committee has delegated authority to oversee risk management.
4.4	The Board should delegate to Management the responsibility to design, implement and monitor the risk management plan.	The Board has delegated the day-to-day responsibility for risk management to Management.
4.5	The Board should ensure that risk assessments are performed on a continual basis.	The Audit, Finance and Risk Committee actively monitors the Centre's risks.
4.6	The Board should ensure that the frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	All risks are identified and monitored in line with the Risk Management Process.
4.7	The Board should ensure that Management considers and implements appropriate risk responses.	The Audit, Finance and Risk Committee peruses Risk Reports indicating identified risks and ensures that Management closes findings.
4.8	The Board should ensure continual risk monitoring by Management.	On a quarterly basis, the Board reviews Management's action on the Risk Report.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	The Audit, Finance and Risk Committee provides the Board with the assurance on the effectiveness of the risk management process by constantly reviewing the results thereof.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	A Combined Assurance exercise is undertaken annually and the results shared with the Board and as part of reporting.

CORPORATE GOVERNANCE

Chapter 5: The Governance of Information Technology		
5.1	The Board should be responsible for information technology (IT) governance.	The Board understands the importance, relevance and inherent risks in IT. The Audit, Finance and Risk Committee oversees IT governance.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	The Finance Manager oversees the IT Function. He sits in at all Strategic Structures of the Centre.
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	Management reports to Audit, Finance and Risk Committee on ICT projects and governance issues.
5.4	The Board should monitor and evaluate significant IT investments and expenditure	The Board is periodically updated of ICT Projects.
5.5	IT should form an integral part of the company's risk management.	This is done on an on-going basis.
5.6	The Board should ensure that information assets are managed effectively.	Information is kept on an off-site disaster recovery facility.
5.7	A risk committee and audit committee should assist the Board in carrying out its IT responsibilities	IT Reports are tabled through the Audit, Finance and Risk Committee.

The BNPC held the Wellness day at Off Road Quads and Karts- Matebeleng. The event was held under the theme; Turning Setbacks into Comebacks_The BNPC Experience'

CORPORATE GOVERNANCE

Chapter 6: Compliance with Laws, Codes, Rules and Standards		
6.1	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	The Audit, Finance and Risk Committee together with the Board Secretary review the adequacy and effectiveness of the Centre's procedures to ensure compliance with legal and regulatory responsibilities. The Centre is however, yet to develop a Compliance Framework although a Register is available.
6.2	The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	This is done through the Induction Programme and on an ongoing basis.
6.3	Compliance risk should form an integral part of the company's risk management process.	Compliance is an identified significant risk and addressed as part of the risk management process.
6.4	The Board should delegate to Management the implementation of an effective compliance framework and processes.	The Centre is yet to establish a Compliance Framework.
Chapter 7: Internal Audit		
7.1	The Board should ensure that there is an effective risk-based internal audit.	The Centre has an Internal Audit Function.
7.2	Internal audit should follow a risk-based approach to its plan.	A risk-based approach is followed.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	A written assessment of the effectiveness of the Centre's system of internal control and risk management is provided on an annual basis.
7.4	The audit committee should be responsible for overseeing internal audit.	The Audit, Finance and Risk Committee is responsible for overseeing the Internal Audit.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Internal Audit is strategically positioned.

CORPORATE GOVERNANCE

Chapter 8: Governing Stakeholder Relations		
8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation.	The Centre dedicates time and effort to developing and maintaining positive relationships with its significant stakeholders. The Centre manages stakeholder guided by the Marketing and Company Strategy where identified stakeholder needs and expectations have been profiled.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships.	Management is responsible for maintaining stakeholder relationships.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	The Board has responsibility to ensure that transparent engagement ensues with stakeholders.
8.4	Companies should ensure the equitable treatment of shareholders.	N/A
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	The Centre has a comprehensive stakeholder engagement process.
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	The Board ensures that disputes are resolved effectively. Board Charters guide in this respect.
Chapter 9: Integrated Reporting and Disclosures		
9.1	The Board should ensure the integrity of the company's integrated report.	On an annual basis and in the Annual Report the Board reports on the Financial and Corporate Governance performance of the Centre.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	Each Annual Report discloses the Centre's going concern status.
9.3	Sustainability reporting and disclosure should be independently assured.	Financial Reporting is made in line with the International Financial Reporting Standards.

EXECUTIVE DIRECTOR'S REPORT

INTRODUCTION

The period under review saw the approval and commencement of the implementation of the Centre's Strategic Plan (2018-2023), by the Board.

The much protracted organisational restructuring exercise, which commenced during the 2016-17 financial year, saw positive inroads being made, towards conclusion of the exercise. The organisational restructuring is critical to the successful attainment of the Centre's vision and strategic plan.

At a national level, the Centre embarked on a nationwide Work Ethic Investigation study, aimed at getting to understand the underlying factors, magnitude and ramifications associated with the problem of poor work-ethic perceptions amongst Batswana, with a view to ultimately developing relevant interventions to mitigate the problem.

Delivering On Our Strategy

While there have been some disappointments – notably the overly protracted delivery of the Organisational Restructuring project – for the most part, it has been a fairly pleasing year. Our sustained and continued delivery of strategic programmes of national importance, has been particularly encouraging given the tough and highly competitive training and consultancy environment.

The Centre's strategy has 3 Strategic Thematic areas, viz. Enterprise Productivity, Sustainable Capability Building and Labour Productivity. The aggregate corporate performance for the financial year 2018-19 is 73.8%, as measured against the Centre's strategic objectives and initiatives for the period, with Human Capital performing way below acceptable levels. Key performance highlights are as follows:

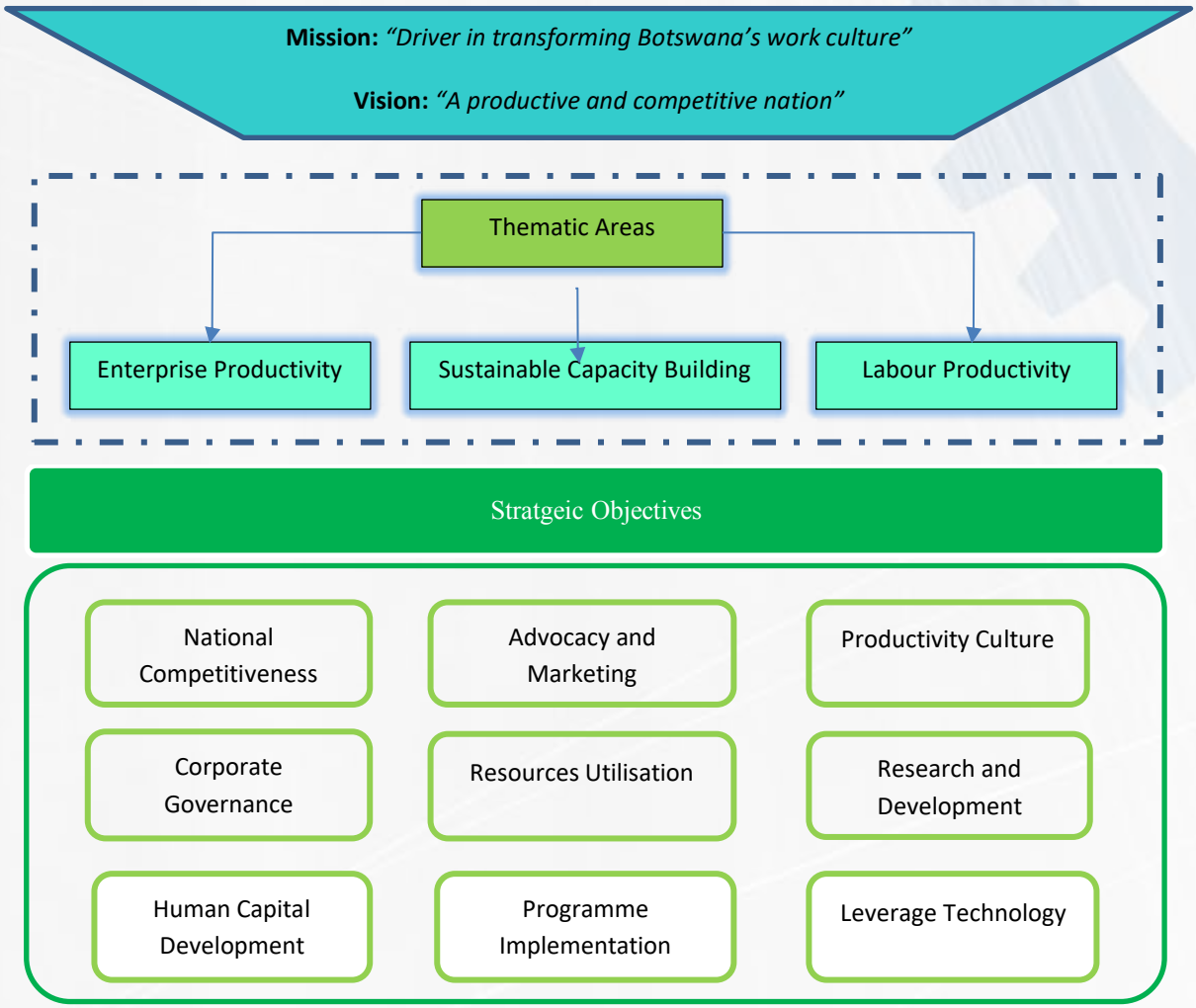
- *Performance Against Core Mandate* - *86%*
- *Financial Management* - *100%*
- *Process Effectiveness* - *72%*
- *Human Capital* - *21%*

EXECUTIVE DIRECTOR'S REPORT

Figure-1: BNPC Strategic Foundations, Themes and Objectives, shows the BNPC strategic objectives and associated imperatives, on which the review of this report is based.

During the financial year under review, work revolved around long-term consultancy (e.g. Strategic Planning; Quality Management Systems; Industrial/Labour Management Relations; Kaizen and Process Reengineering). This is an indication that the Centre's objective of transforming organisations into competitive and productive entities through consultancy is beginning to bear fruit. This is attributed to the attractiveness of the interventions in the market and the nature of impact achieved through such engagements.

Figure-1: BNPC Strategic Foundations, Themes and Objectives

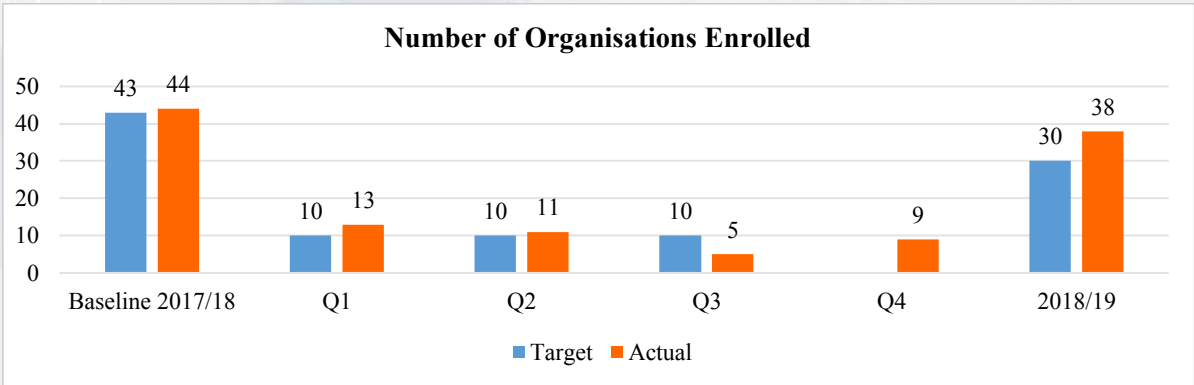


EXECUTIVE DIRECTOR'S REPORT

Long Term Consulting & National Competiveness

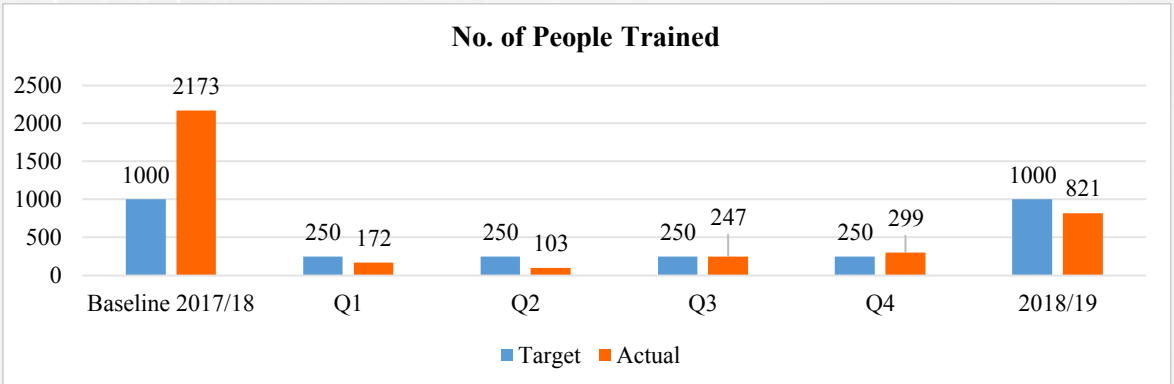
The Centre continued to offer products and services based solutions to clients across various sectors through consultancy and capacity building to deliver on their organisational mandates and expectations as well as to improve their efficiency and competitiveness, both at a national and global level. During the period under review, thirty-eight (38) out of a target of thirty (30) organisations were enrolled on long term consultancy initiatives as shown in ***Figure-2: Number of Organisations Enrolled.***

Figure-2: Number of Organisations Enrolled



During the period under review low uptake was experienced in training interventions as shown in ***Figure-3: Number of Participants Trained***. Eight hundred and twenty-one (821) out of the expected target of one thousand (1000) participants were reached.

Figure-3: Number of Participants Trained

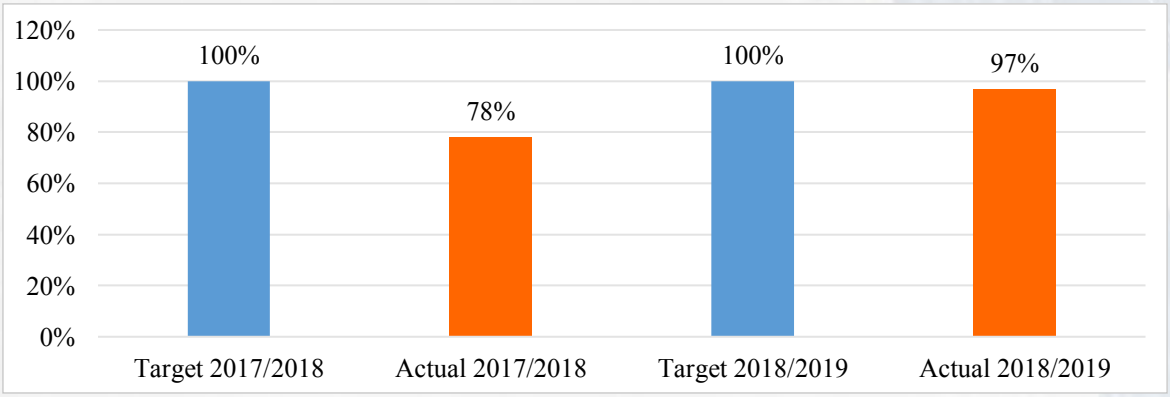


EXECUTIVE DIRECTOR'S REPORT

Core subjects the training focused on, include Customer Service, Balanced Scorecard, Leadership Essentials, Change Management, Quality Management System, Project Management, National Service Excellence Framework and Supervisory Development Programme.

An achievement rate of ninety-seven percent (97%) was recorded for organisations that successfully executed interventions and improved their operational activities following enrolment as shown in ***Figure-4: Organisations Successfully Improving Operational Activities***. A number of companies were assisted to prepare for ISO 9001:2015 Certification and also capacitated on the Kaizen-5S methodology. Benefits derived are diverse and differ according to specific organisations. These include improved process turnaround times, improved business processes, reduced production time, reduced scrap, reduced inconsistence in operation, machine maintenance planning, space saving and improved attitude towards work.

Figure-4: Organisations Successfully Improving Operational Activities

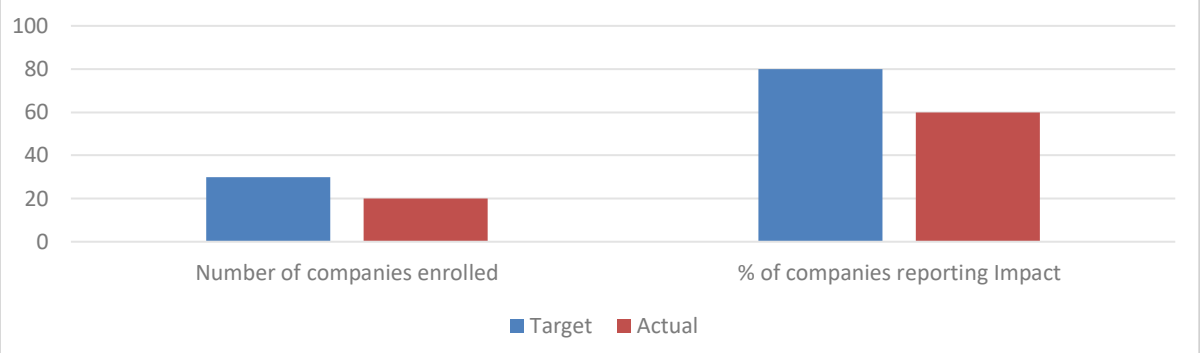


Productivity Culture

Under the productivity strategic theme, the Centre enrolled companies within the Security Services Industry, on Labour Relations interventions, particularly on the formulation and execution of human resources policies, procedures and organisational values. Out of a target of thirty (30) companies approached for partnership, only twenty (20) were enrolled in this project.

From the companies that were enrolled, eighty percent (80%) reported practicing labour relations processes. Benefits accruing as a result of the targeted interventions, included improvement in handling grievances, improvement in employee code of conduct, improvement in employee work ethic as well as improvement in the overall performance of employees. ***Figure-5: Companies Enrolled and Reporting Impact***, shows the number of companies enrolled and those reporting impact.

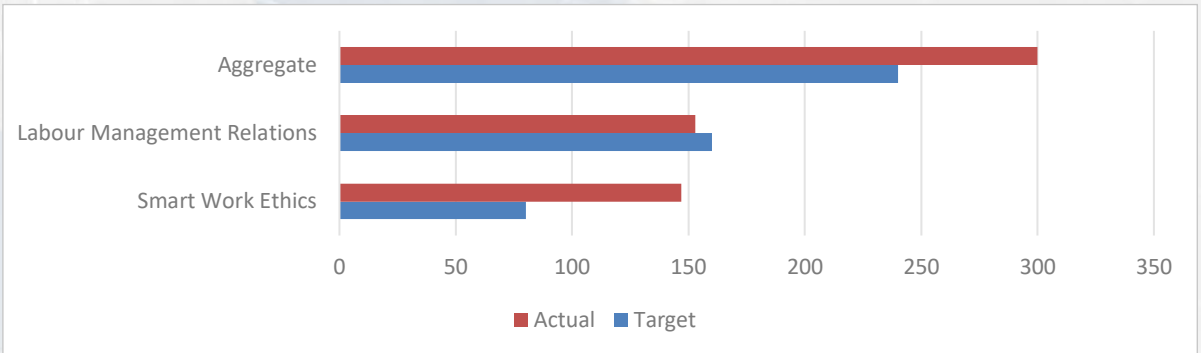
Figure-5: Companies Enrolled and Reporting Impact



EXECUTIVE DIRECTOR'S REPORT

The Centre capacitated three hundred (300) participants against a target of two hundred and forty (240), in Labour Management Relations and Smart Work Ethics. One hundred and fifty-three (153) participants were trained on Labour Management Relations while one hundred and forty-seven (147) were trained on Work-ethic. Participants were drawn from both the private and public sectors. ***Figure-6: Capacity Building on Labour Management Relations and Smart Work Ethics***, shows capacity building in both Labour Management Relations and Smart Work Ethic.

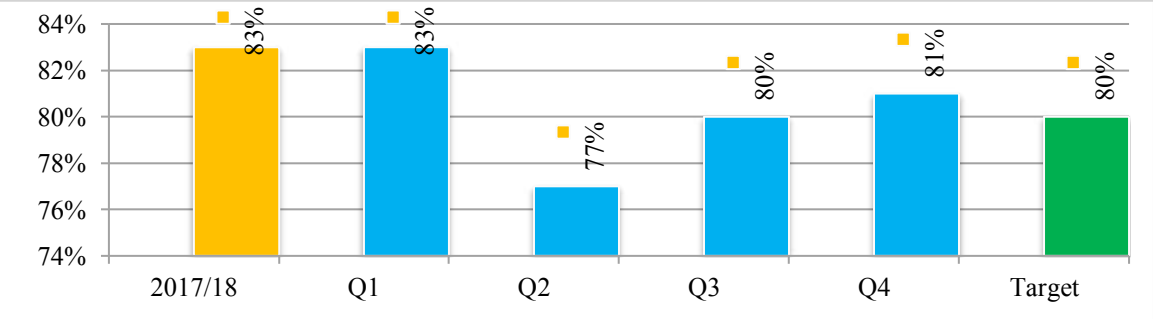
Figure-6: Capacity Building on Labour Management Relations and Smart Work Ethics



Advocacy and Marketing

In an effort to build and enhance the BNPC brand the Centre continued to use different platforms, such as intensifying use of social media, harnessing partnerships and amplifying shared understanding of different segments of stakeholders and interested parties on productivity and work ethics. To this end the Centre used social media, kgotla meetings, road shows, TV/radio presentations and national/district events, among others, to interact, engage and educate the nation, in the process soliciting feedback on BNPC products and services. ***Figure-7: Customer Satisfaction***, is a representation of perceptions and feedback on customer satisfaction.

Figure-7: Customer Satisfaction



EXECUTIVE DIRECTOR'S REPORT

Research and Development

Poor work ethic continues to be perceived as the most problematic factor for doing business in Botswana, going back well over 10 years. To this end the Centre conducted a countrywide work ethic investigation study in 2018 with the view to understand the underlying factors and ultimately developing relevant interventions. The findings of the report pointed to challenges around work culture, leadership, education system, pay and productivity, civic engagement and labour market regulation and policies.

The BNPC was accredited as an Education Training Provider, by the Botswana Qualifications Authority (BQA), in July 2018. Following the accreditation, the Centre submitted five products for accreditation, and the following were approved:

- *Effective Customer Care*
- *National Service Excellence Framework*
- *Leading Service Excellent Organizations*
- *Service Experience Design*
- *National Service Excellence Assessor.*

During the same period work commenced on reviewing the following, Strategy Development & Implementation, Labour Management Relations, Quality Management System, Work Ethics and Supervisory Development Programme. The review of these programmes towards BQA accreditation, is still in progress, with target closure by end of financial year.

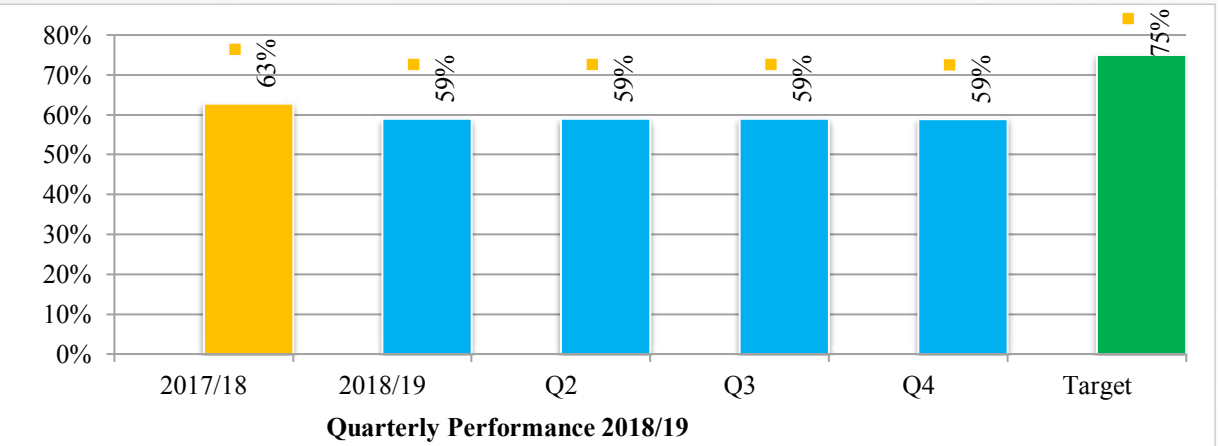
Corporate Governance

The Centre has engaged the Directorate of Corruption and Economic Crime (DCEC) with the view to develop an Anti-Corruption Framework. The DCEC shared their project methodology to guide the process for developing the BNPC Anti-Corruption Framework. During the same period, Board Members capacity building on Corporate Governance was facilitated as planned. Further, negotiations over the Shareholder Compact continued between the Board and MELSD, and the signing off took place in May 2019.

Human Capital Development

The period under review shows a drop in performance rating, from 63% in 2017/18 to 59% in 2018/19, with respect to employee average rating as shown in ***Figure-8: Employee Average Performance Rating***. This is attributable to a number of factors, that include, low performance levels, staff morale, fatigue caused by the protracted restructuring exercise and associated uncertainties, lack of competencies commensurate with delivering to the requirements of job functions, prolonged acting appointments, with double-hatting in some instances and an outdated, ineffective, performance management system.

Figure-8: Employee Average Performance Rating



EXECUTIVE DIRECTOR'S REPORT

Leveraging Technology

The Centre was funded, by the Government, to the tune of P2.0 million, for its ICT environment upgrade and development. The following projects have been delivered, from the funding:

- *Development of the ICT Strategy*
- *Upgrade of Local Area Network (LAN) from Category (CAT) 5 to CAT 6*
- *Expansion of Wi-Fi coverage to the hostels*
- *Procurement of hardware (Laptops & Projectors)*
- *Establishment of an offsite Disaster Recovery site, to enhance Business Continuity.*
- *Development of an ICT Statement of User Requirement (SOUR*

The SOUR was developed for four (4) key priority systems:

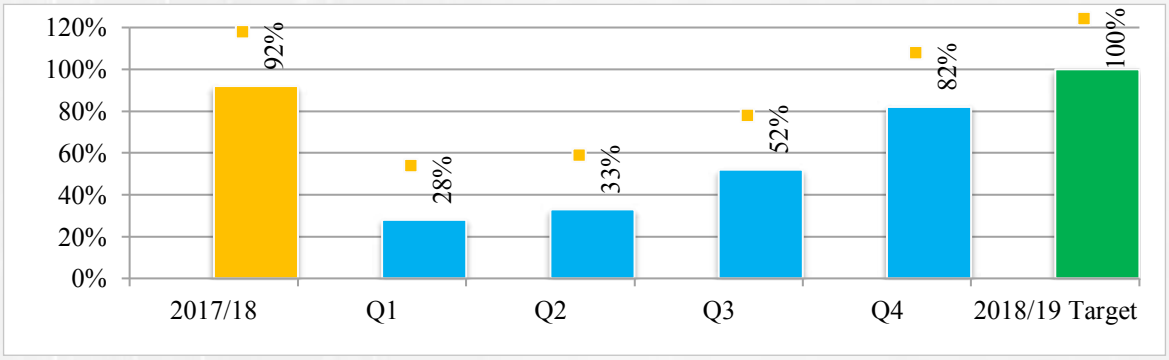
- *e-Learning System*
- *Productivity and Quality Management System (PQMS)*
- *Customer Relationship Management System (CRMS) and*
- *Human Capital Management and Payroll System (HCMPS)*

Delivery of the prioritised systems is expected in 2019/20, subject to funding availability.

Delivering Strategic Programmes

The Centre's aggregate performance, as reviewed in April 2019, stood at 73.8%, with performance against core mandate standing at 86%, financial management 101%, process effectiveness 72% and human capital, 21%. Project success rate stood at 82%, as shown in ***Figure-9: Project Success Rate (% Project on Schedule)***, and most funded projects (ICT Infrastructure Upgrade; NASEF; Monitoring & Evaluation and Work Ethic Investigation) were on schedule

Figure 9: Project Success Rate (% Project on Schedule)



EXECUTIVE DIRECTOR'S REPORT

Turnaround Solutions Project (TAS)

TAS interventions seeks to support and save companies faced with the risk of financial distress and consequential job losses and sustainability challenges. A number of identified companies have been assessed (Thirteen (13), enrolled into the project and are undergoing the early stages of nurturing, which entails assessing feasibility for further engagement. After this stage an in-depth analysis will be carried out, leading to the development of the preliminary plan and nature of turnaround.

The Centre aims to build in-house competencies and potentially partner with experienced companies in this area, as well as local financial institutions with a view to having adequate capacity and competency within the Centre, to be able to deliver targeted turnaround and contingency interventions for those companies facing the risk of financial ruin and possible oblivion.

National Service Excellence Framework Project (NASEF)

The Centre has developed the Botswana National Service Excellence Framework (NASEF) and Service DNA to assist organisations improve service delivery across all sectors of the economy as well as to galvanise the country towards a sustainable service improvement or national service culture. A number of institutions have been trained on the NASEF Framework.

The NASEF training is a national project, aimed at nurturing a National Service Excellence Culture. The key objectives of NASEF being to;

- *Provide a proven roadmap for the implementation of service excellence initiatives, which would eventually transform the service culture in Botswana*
- *Facilitate learning, benchmarking and improvement of service excellence practices across various sectors of the economy and industries*
- *Serve as a guidepost for service industries and organizations in their journey towards delivering a sustainable excellent service.*

Once fully operational, it will allow for the creation and monitoring of the Botswana Service Experience through a number of elements which make up the framework, the creation and monitoring of service standards across industries and recognition awards, for companies that adhere and perform well against the NASEF standards.

Work Ethic Investigation

The Centre carried out research on Work Ethics in 2018. The exercise was facilitated by BothoPele Consulting company. The findings and recommendations of the report, which have been shared with the Ministry will be used as input to guide product development for labour productivity improvement, ultimately leading to improvements in scores and rankings in the Global Competitiveness Report. An Implementation plan is being developed in collaboration with the Ministry of Employment, Labour Productivity and Skills Development (MELSD). The Ministry is expected to facilitate the bringing on-board of other national players into the implementation of the recommendations.

In relation to this, further research has been undertaken into happiness in the workplace to guide staff engagement challenges which directly affect labour productivity.

There is evidently no touch-point solution that can address the seeming poor work-ethic challenges facing the country. To that end, the Centre is working on an action plan to address the problem, by initially focusing internally on BNPC and a few select high-impact institutions to show case a positive impact. The proposed solution, aims at impacting employee culture, as a basis for influencing performance.

Export Readiness Project

The Export Readiness Project was completed in February 2019 with the Centre having assisted seven (7) companies to improve production capacity and profitability as well as prepare them for ISO 9001:2015 Certification. Three (3) companies indicated having successfully gone through the Stage 1 Audit, while there are others needing further support at this stage. All companies that participated in this project were capacitated with methods to improve their corporate performance. This methodology, which stresses continuous improvement, drives work place efficiency, standardization and production process improvement.

EXECUTIVE DIRECTOR'S REPORT



BNPC participates in the Makgadikgadi Epic, showcasing their products and services to the public.

Anti-Corruption Initiatives

The Centre engaged the Directorate on Corruption and Economic Crime (DCEC) to develop an Anti-Corruption Framework. The DCEC shared its project methodology, which the Centre will use as a guide to develop its framework. As a prelude to the process, the BNPC engaged the DCEC to sensitise management on the buy-in of the envisaged exercise and the staff at large to avoid being involved in corruption practices as well as the necessary that ought to be followed in the event of its likely occurrence.

Advocacy and Campaigns

The Centre has been engaged in extensive stakeholder outreach activities which include digital and print media advertising, as well as programmes on local television. The Centre continues to participate in fairs and exhibitions, as well as youth boot-camps to reach out to the youth segment.

As a result, the Centre has been receiving positive feedback with companies requesting assistance. The Centre has also documented testimonies from some companies that have benefited from its interventions with the view to share the testimonies, demonstrate impact, relevance and importance of the Centre's work to local businesses. The Centre aims to embark on documenting case studies for future reference.

Looking Ahead

As the newly appointed Executive Director for BNPC, I would like to express my excitement at being part of the team. It is indeed an honour and a privilege to have been given the opportunity to lead such a strategically important national institution.

It has not been an easy time for the BNPC, in the recent past. We have been overly quiet in the market place, almost to a point of fading into oblivion. Our activities have tended to drift towards a bias on training, much to the disappointment of our stakeholders and Government. The training institutions market in Botswana has become extremely challenging, and strategic differentiation is must for survival and relevance.

Recently, we have seen many new institutions that offer various performance management and leadership programmes similar to those at BNPC. We will be rethinking our focus and position in the market place. Going forward, we will differentiate ourselves, to remain relevant. We have to re-earn our rightful place as the number-one centre of excellence on matters of work ethic and productivity. Failure is not an option, in this regard. This we will do, with a heightened sense of urgency.

We live in the digital information age, and it is indeed a technology-powered world. The much talked about Fourth Industrial Revolution (4IR) is here, and we need to leverage and embrace technology, to enable us to deliver efficiently and effectively.

With a relentless focus on delivering on our performance improvement and productivity mandate; being ready and prepared to challenge ourselves and take bold decisions, we will retain our position as the nation's productivity champion.

BNPC shall be exemplary on all matters of work-ethic and productivity. We aim to lead by example.

Mr Christopher Mmusi Diswai
Executive Director

EXECUTIVE DIRECTOR'S REPORT



BNPC participates at the Business Botswana Northern Trade Fair in Francistown, to market the Centre's products and services.

"The best work happens when you know that it's not just work, but something that will improve other people's lives" -

Satya Nadella (Microsoft CEO)

FINANCIAL STATEMENTS

31 MARCH 2019

CONTENTS	PAGE

GENERAL INFORMATION

31 MARCH 2019

Business operation

Promoting increased productivity, improving standards of management and labour management relations and generally stimulating productivity consciousness in Botswana. The Botswana National Productivity Centre ("Centre") is a parastatal organisation which has been legislated under Botswana National Productivity Centre Act 1993 and domiciled in Botswana.

Registered address

Plot 21222/21254
Giraffe Road
Gaborone

Auditors

Deloitte & Touche

Board Secretary

T Kebatlile

Bankers

Bank of Baroda (Botswana) Limited
Standard Chartered Bank Botswana Limited
Stanbic Bank Botswana Limited

BOARD OF DIRECTORS

Non- Executive Directors

Mr Nelson Letshwene	-	Board Chairperson
Mr Norman Moleele	-	Deputy Chairperson
Dr Moreetsi Thobega		
Mr Molefi Keaja		
Ms Grace Siamisang		
Dr Batlang Comma Serema		
Mr Keeper Morgan		
Ms Maipelo Motshwane		

Executive Director

Mr Christopher M Diswai	-	Appointed on 02 May 2019

DIRECTOR'S RESPONSIBILITY STATEMENTS AND APPROVAL OF THE FINANCIAL STATEMENTS

31 MARCH 2019

Directors' responsibility statement for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements of Botswana National Productivity Centre ("BNPC"), comprising the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in reserves and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS").

The directors are required by the Botswana National Productivity Centre Act, 1993, to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Centre as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the financial statements and their report is presented on page 4 and 5.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana National Productivity Centre Act, 1993, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Centre 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 Centre and all employees are required to maintain the highest ethical standards in ensuring the Centre's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Centre is on identifying, assessing, managing and monitoring all known forms of risk across the Centre. While operating risk cannot be fully eliminated, the Centre 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 have made an assessment of the Centre's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead.

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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Directors' approval of the financial statements

The financial statements set out on pages 34 to 60, which have been prepared on the going concern basis, were approved by the board of directors on 23 August 2019 and are signed on its behalf by:

Director

Director

Deloitte.

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Gaborone
Botswana

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOTSWANA NATIONAL PRODUCTIVITY CENTRE PURSUANT TO SECTION 16 [3] OF THE NATIONAL PRODUCTIVITY ACT, 1993

Qualified Opinion

We have audited the financial statements of Botswana National Productivity Centre, set out on pages 6 to 29 which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, financial statements give a true and fair view of the financial position of the Centre as at 31 March 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our audit opinion.

Basis for Qualified Opinion

We were unable to obtain sufficient and appropriate audit evidence which confirms that the entity has legal title and rights to a property recognised on the statement of financial position as at 31 March 2019 with a carrying amount of P52 300 000. The depreciation charge relating to the property in the statement of profit or loss and other comprehensive income is P1 568 800. As indicated in Note 17, the entity is in the process of obtaining title and ownership of the land and buildings and this is management's basis for recognition of the property on the statement of financial position. Currently the title of the land and buildings is in favour of the Government of Botswana. The entity occupies the land and buildings on a free rental lease arrangement.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements

Pursuant to section 16(3) of the Botswana National Productivity Centre Act, Financial Reporting Act, 2010 we report on the following:

- We have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the performance of our duties;
- The accounts and related records of the Centre have been properly kept;
- The Centre has complied with all the financial provisions of the Act with which it is the duty of the Centre to comply with; and
- The statement of accounts prepared by the Centre was prepared on a basis consistent with that of the preceding year and represents a true and fair view of the transactions and financial affairs of the Centre.

Other Information

The Directors are responsible for the other information. The other information comprises the Annual Report, Directors' Responsibility Statement and Approval of the Financial Statements. The other information does not include the financial statements and our auditor's report thereon.

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOTSWANA NATIONAL PRODUCTIVITY CENTRE PURSUANT TO SECTION 16 [3] OF THE NATIONAL PRODUCTIVITY ACT, 1993 [CONTINUED]

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regards.

Responsibilities of the Directors

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

In preparing the financial statements, the directors are responsible for assessing the Centre'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 Centre or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Centre's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre'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 Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Centre's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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.

Deloitte & Touche

Deloitte & Touche
Certified Auditors
Practicing Member: C V Ramatlapeng (CAP 008 2019)

Gaborone
9 September 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 P	2018 P
Revenue			
Grant income	1	45 401 521	39 643 589
Sale of services	1	5 979 573	6 596 014
		51 381 094	46 239 603
Other operating income			
Other income	1	721 925	821 556
Capital grants transferred to income on disposal of assets	11	4 582	145 382
Amortisation of capital grants	11.1	2 755 062	2 835 253
		3 481 569	3 802 191
Administrative Expenses	1	(51 742 569)	(44 373 078)
Operating surplus	1	3 120 094	5 668 716
Finance income	3	783 690	443 169
Surplus before income tax expense		3 903 784	6 111 885
Income tax expense	5	-	-
Surplus for the year		3 903 784	6 111 885
Other comprehensive income			
Gain on revaluation of properties	7	7 580 385	-
Total comprehensive income for the year		11 484 169	6 111 885

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 P	2018 P
ASSETS			
Non-current assets			
Property, plant and equipment	7	58 947 991	53 252 222
Current assets			
Inventories	8	256 337	302 513
Trade and other receivables	9	2 226 708	3 895 889
Cash and cash equivalents	10	25 550 259	20 626 204
		28 033 304	24 824 606
Total assets		86 981 295	78 076 828
FUNDS AND LIABILITIES			
Reserves			
Revaluation reserve	12	11 289 093	3 708 708
Accumulated surplus		15 029 459	11 278 399
		26 318 552	14 987 107
Long Term Liabilities			
Capital grants	11	48 747 997	51 338 618
Current liabilities			
Trade and other payables	13	11 398 914	8 750 790
Projects grants	15	515 832	3 000 313
		11 914 746	11 751 103
Total funds and liabilities		86 981 295	78 076 828

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2019

	Note	Revaluation reserve P	Accumulated surplus P	Total funds P
For the year ended 31 March 2018				
Balance at 1 April 2017		3 708 708	5 166 514	8 875 222
Total comprehensive income		-	6 111 885	6 111 885
Balance at 31 March 2018		3 708 708	11 278 399	14 987 107
For the year ended 31 March 2019				
Balance at 1 April 2018		3 708 708	11 278 399	14 987 107
Transitional adjustment	9	-	(152 724)	(152 724)
Total comprehensive income		7 580 385	3 903 784	11 484 169
Balance at 31 March 2019		11 289 093	15 029 459	26 318 552

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 P	2018 P
Cash flows from operating activities			
Operating surplus		3 120 094	5 668 716
Adjustment for non-cash items:			
Depreciation of property, plant and equipment	7	2 973 133	2 912 797
Amortisation of capital grants	11.1	(2 755 062)	(2 835 253)
Profit on disposal of property, plant and equipment		(27 909)	(317)
Capital grants transferred to income on disposal of assets	11.1	(4 582)	(145 382)
		3 305 674	5 600 561
Changes in working capital			
Decrease/(increase) in inventories		46 176	(29 302)
Decrease/(increase) in trade and other receivables		1 516 457	(376 743)
Increase/(decrease) in trade and other payables		163 643	(1 202 475)
Net cash generated from operating activities		5 031 950	3 992 041
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(1 093 099)	(1 204 982)
Proceeds from disposal of property, plant and equipment		32 491	145 699
Interest received	3	786 039	442 279
Net cash used in investing activities		(274 569)	(617 004)
Cash flows from financing activities			
Capital grant received during the year	11.2	169 023	308 229
Net cash generated from financing activities		169 023	308 229
Net increase in cash and cash equivalents		4 926 404	3 683 266
Cash and cash equivalents at beginning of year		20 626 204	16 942 048
Effect of foreign exchange rate changes	3	(2 349)	890
Cash and cash equivalents at end of year	10	25 550 259	20 626 204

SIGNIFICANT ACCOUNTING POLICIES

31 MARCH 2019

BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis except for the revaluation of properties and incorporate the following principal accounting policies which have been consistently followed in all material respects, and comply with operative International Financial Reporting Standards.

ADOPTION OF NEW AND REVISED STANDARDS

At the date of approval of these financial statements, the following standards relevant to the Centre's operations were in issue but not yet effective.

New/Revised International Financial Reporting Standards	Effective Date - Annual periods beginning on/after
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021

Management will evaluate the impact of these standards on the Centre's financial results.

The Centre has adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of 1 April 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Centre did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Centre elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated surplus account. The Centre does not hedge its financial risks and therefore hedge accounting is not relevant.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Centre. Further details of the specific IFRS 9 accounting policies applied in the current period are disclosed in more detail below:

(a) Classification and measurement of financial instruments

There were no changes to the classification and measurement of financial liabilities. The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 April 2018 are compared as follows:

	IAS 39		IFRS 9	
Financial Assets	**Measurement Category**	**Carrying Amount P**	**Measurement Category**	**Carrying Amount P**
Cash and cash equivalents	Amortised cost (Loan and receivables)	20 626 204	Amortised cost	20 626 204
Trade receivables	Amortised cost (Loan and receivables)	3 457 676	Amortised cost	3 304 952
TOTAL		**24 083 880**		**23 931 156**

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Centre performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 April 2018:

SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

31 MARCH 2019

ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Financial Assets	Ref	IAS 39 Carrying Amount 31 March 2017	Reclassifications	Remeasurements	IFRS 9 Carrying Amount 1 April 2018
		P	P	P	P
Cash and cash equivalents	A	20 626 204	-	-	20 626 204
Trade receivables	B	3 457 676	-	(152 724)	3 304 952
TOTAL		**24 083 880**	**-**	**(152 724)**	**23 931 156**

The following explains how applying the new classification and measurement requirements of IFRS 9 led to changes in classification and measurement of certain financial assets held by the Centre as shown in the table above:

Area and Potential Impact of IFRS 9: Financial Instruments- Recognition and Measurement (Classification and Measurement impact explained as at 1 April 2018 resulting from adoption of IFRS 9)	**Reference**
Cash and cash equivalents This financial asset class was classified as loans and receivables and measured at amortised cost under IAS 39. Under IFRS 9, these assets will continue to be measured at amortised cost because they satisfy the solely payments of principal and interest (SPPI) and business model tests for classification as amortised cost. Cash and cash equivalents are subject to impairment under both IAS 39 and IFRS 9. As at 31 March 2018, the impairment provision under IAS 39 was nil as there was no objective evidence of impairment. The Centre has elected to apply the simplified approach for the impairment of cash and cash equivalents because the lifespan of these securities is less than 12 months. The Centre has adopted the provision matrix contained in the implementation guidance to IFRS 9 as its impairment methodology. Historical default rates on deposits held by banks is nil. The Centre's review of forward looking macro-economic factors does not suggest possible defaults on bank deposits and consequently no provision has been raised on adoption of IFRS 9. On the basis of the above, the carrying amount of cash and bank deposits is not expected to be impacted at the year end. The Centre does not wish to rebut the presumption that a debt instrument is deemed to be in default if it is 90 days past due.	A
Trade receivables This financial asset class was classified as loans and receivables and measured at amortised cost under IAS 39. Under IFRS 9, these assets will continue to be measured at amortised cost because they satisfy the solely payments of principal and interest (SPPI) and business model tests for classification as amortised cost. Trade receivables are subject to impairment under both IAS 39 and IFRS 9. Trade and other receivables have been aged as at 1 April 2018 and provided for using the simplified expected credit loss model on the basis of the provision matrix. Consequently, the application of IFRS 9 on the date of initial application has resulted in the recognition of an additional impairment loss amounting to P152 724. This amount shall be debited to the opening accumulated surplus account and credited to the provision for impairment account.	B

(c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 April 2018:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

31 MARCH 2019

ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Measurement Category	Loss allowance under IAS 39	Reclassifications	Remeasurements	Loss Allowance under IFRS 9
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS9)	**P**	**P**	**P**	**P**
Trade receivables	**(578 497)**	-	(152 724)	(731 221)
TOTAL	**(578 497)**	**-**	**(152 724)**	**(731 221)**

IFRS 9: Impairment Provision Matrix as at 1 April 2018

Description	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
Gross carrying amount (P)	3 425 964	139 909	63 246	407 055	**4 036 174**
Amount not provided** (P)	(70 752)	(80 714)	(28 301)	-	**(179 767)**
Less: Specific provision (P)	(5 680)	(26 979)	(33 960)	(384 246)	**(450 865)**
Carrying amount net of specific provision (P)	3 349 532	32 216	985	22 809	3 405 542
Less: Collective expected loss rate	7.43%	25.05%	54.52%	100%	**8.23%**
Loss allowance (P)	(248 940)	(8 070)	(537)	(22 809)	**(280 356)**
Amount not provided** (P)	70 752	80 714	28 301	-	**179 767**
Net carrying amount (P)	**3 171 344**	**104 860**	**28 749**	**-**	**3 304 953**

***Amount not provided for relates to a receivable from a single debtor due at the reporting date which management believes is still collectible in full based on a settlement arrangement through an amount due to the debtor from the Centre.*

The below notes sets out the significant accounting policies adopted in the preparation of the financial statements.

FINANCIAL ASSETS AND LIABILITIES

Measurement methods

Amortised cost and effective interest rate

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

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

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

Interest income

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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

31 MARCH 2019

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Initial recognition and measurement (Continued)

At initial recognition, the Centre measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Centre recognises the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Classification and subsequent measurement

Debt and equity instruments are classified as either financial assets, financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Centre's equity comprises accumulated funds.

From 1 April 2018, the Centre has applied IFRS 9 and classifies its financial assets as amortised cost. The classification requirements for debt instruments measured at amortised cost are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

i. the Centre's business model for managing the asset; and
ii. the cash flow characteristics of the asset.

Based on these factors, the Centre classifies its debt instruments at amortised cost.

Business model

The business model reflects how the Centre manages the assets in order to generate cash flows. That is, whether the Centre's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at fair value.

Factors considered by the Centre in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

31 MARCH 2019

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Centre assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Centre considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Centre reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of operation. Trade receivables are recognised at fair value and subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments readily convertible to cash and subject to insignificant risk of loss of value.

Cash and cash equivalents are measured at amortised cost.

Impairment of financial assets

The Centre recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost which include lease receivables, trade and other receivables as well as cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Centre always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using simplified ECL model based on the provision matrix. The ECL model takes into account Centre's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Derecognition of financial assets

The Centre derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Centre neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Centre recognises its retained interest in the asset and an associated liability for amounts it may have to pay
On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial Liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

31 MARCH 2019

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial Liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Centre derecognises financial liabilities when, and only when, the Centre's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Effective 1 April 2018, the Centre adopted IFRS 15:Revenue from Contracts with Customers (IFRS 15). There is no quantitative impact on transition. The reasons for the nil quantitative impact on transition and at the year-end are discussed below. The Centre's accounting policy under IFRS 15 is as follows:

Revenue is recognised upon transfer of control of promised services to customers in an amount that reflects the consideration the Centre expects to receive in exchange for the services.

Nature of services and timing of revenue recognition

The Centre provides consulting and training services. In addition, the Centre provides facilities for rental purposes which are covered by IAS 17/IFRS 16.

Revenue is recognised over time or at a specific point in time depending on the nature of the performance obligations embedded in the contract. Revenue recognition follows a five step model framework listed below:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The adoption of IFRS 15 has not resulted in a change in the pattern of revenue recognition. Performance obligations are discharged either at a specific point in time or over time and therefore influence the timing and recognition of revenue. Revenue from the two product steams above are recognised at a specific point in time or over time depending on the nature of training or consulting work being rendered. The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled receivables also known as contract assets. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue also known as contract liability.

Sale of services

Revenue from sale of services such as consultancy, course fees, rental for accommodation and conference facilities is recognised as it accrues unless collectability is in doubt.

Interest Income

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

31 MARCH 2019

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Rental income

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

PROPERTY,PLANT AND EQUIPMENT

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

Buildings comprise mainly of office and residential properties. These properties are shown at fair value, based on periodic valuations by external independent valuers.

Residential properties are valued at least every three years. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increase in the carrying amount arising on revaluation of residential properties is credited to other comprehensive income and shown as revaluation reserve in statement of changes in reserves. Decrease that offsets previous increases of the same assets are charged against fair value and other reserves; all other decreases are charged to the income statement. The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to the accumulated surplus account when the asset is derecognised.

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

Depreciation is charged using straight-line method so as to write off the depreciable amount of the assets, except on work in progress, over their estimated useful lives, to estimated residual values. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually, with the effect of any change in estimates accounted for prospectively.

The following methods and rates were used during the period to depreciate property, plant and equipment to estimated residual values:

Buildings improvements	10 years
Plant and machinery	4-10 years
Furniture and fixtures	6 years
Motor vehicles	10-14 years
Office equipment	4 years
IT equipment	4 years
Building costs	25 years
Residential properties	50 years
Library books	4 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

31 MARCH 2019

IMPAIRMENT OF ASSETS

At each reporting date, the Centre reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Centre estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating-unit) is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income.

As a minimum, management considers the existence of the following external and internal indicators at the end of each reporting period date which individually or collectively may indicate impairment on non-financial assets.

External sources of information

- An unexpected significant decline in market value of an asset.
- Significant changes with an adverse effect on the Centre have taken place during the period, or are expected to take place in the near future, in the extent to which an asset is used or is expected to be used.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Centre have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

INVENTORIES

Inventories consist of office consumables and are stated at the lower of cost and net realisable value. Cost is determined using the weighted average costing method.

GOVERNMENT GRANTS

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

Government grants comprise funds received from the Ministry of Employment, Labour, Productivity and Skills Development in respect of the recurrent expenditure of the entity. Funds received and used to acquire items of property, plant and equipment are deferred as capital grants and subsequently amortised into government grants over the useful lives of the related items of property, plant and equipment. The funds due from the Ministry of Employment, Labour, Productivity and Skills Development are recognised once the budget has been approved and confirmation of the approved grant is received by the Centre.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

31 MARCH 2019

PROJECT GRANTS

Project grants relate to grants received from the Government of Botswana for specific projects. These are deferred and included in current liabilities. The related expenditure is netted off against the project grant funds received. Expenditure funded from the Centre's retained earnings that is not recoverable from the Government of Botswana is recognised in the statement of comprehensive income.

FOREIGN CURRENCY TRANSLATION

Functional and Presentation Currency

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

Transactions and Balances

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

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the statement of comprehensive income within administration expenses.

EMPLOYEE BENEFITS

All employees of the Centre, other than contracted staff, are members of a defined contribution scheme to which the Centre contributes. Contributions to the scheme are expensed as and when incurred and included under staff costs in the statement of comprehensive income. A liability is recognised to the extent of any unpaid contributions to the fund managers.

The Centre pays gratuity to contracted staff in accordance with their respective contracts of employment.

RELATED PARTIES

Related parties are defined as those parties:

(a) directly, or indirectly through one or more intermediaries, the party:

i. controls, is controlled by, or is under common control with, the entity;
ii. has an interest in the entity that gives it significant influence over the entity; or

(b) that are members of the key management personnel of the entity or its parent including close members of the family.

All dealings with related parties are transacted on an arms length basis and accordingly included in the revenue and expenditure statement.

LEASING

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

31 MARCH 2019

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful Lives of Plant and Equipment and Residual Values

The Centre reviews the estimated useful lives of plant and equipment at the end of each annual reporting period.

Measurement of the Expected Credit Loss Allowance for Doubtful Debts

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Revenue from Contracts with Customers

Contracts with customers often include promises to deliver multiple services. Determining whether such bundled services are considered i) distinct performance obligations that should be separately recognized, or ii) non-distinct and therefore should be combined with another service and recognized as a combined unit of accounting may require significant judgment. In general, the Centre's professional services are capable of being distinct as they could be performed by third party service providers and do not involve significant customization.

Valuation of Property

The Centre recognises property at fair value, based on the periodic valuations by the external independent valuers.

NOTES TOTHE FINANCIAL STATEMENTS

31 MARCH 2019

1 OPERATING SURPLUS

The following items have been (credited)/charged in arriving at the operating profit.:

		2019 P	2018 P
Grant received			
Government subvention		43 086 062	38 603 198
Project grants		2 315 459	1 040 391
		45 401 521	39 643 589
Sale of services			
Consulting		1 373 535	583 347
Course fees		3 190 895	2 170 280
Accommodation		950 121	808 706
Conference facilities		284 237	347 917
Project income		180 785	2 685 764
		5 979 573	6 596 014
Analysis of revenue			
By major product/service lines			
Consulting		1 373 535	583 347
Training		3 190 895	2 170 280
Provision of accommodation and conference facilities		1 234 358	1 156 623
Project income		180 785	2 685 764
Total		5 979 573	6 596 014
By timing of recognition			
Service transferred at a point in time		4 425 253	3 326 903
Service transferred over time		1 554 320	3 269 111
Total		5 979 573	6 596 014
Nature of balances as at 31 March 2019	**Nature of performance obligation**		
Contract asset (Unbilled revenue)	Point in time	187 275	-
Contract asset (Unbilled revenue)	Over time	56 924	149 155
Contract liability (Deferred revenue)	Point in time	3 189	81 414
Contract liability (Deferred revenue)	Over time	-	-
Other operating income			
Rental income		517 857	532 265
Profit on disposal of property, plant and equipment		27 909	317
Excess of Provision Written Back		-	160 044
Other income		176 159	128 930
		721 925	821 556
Expenses by nature			
Auditors' remuneration	- Current year	180 516	150 000
	- Prior year	21 920	3 569
Board expenses		135 250	261 053
Depreciation		2 973 133	2 912 797
Hire of equipment		650 265	675 612
Impairment of receivables		237 629	-
Bad debts written off		-	481 115
Operating lease rentals		593 130	305 178
Remuneration paid to directors and key management		6 772 769	5 235 353
Repairs and maintenance		845 432	768 175
Staff cost (Note 2)		26 118 897	24 559 439
Project expenses		3 813 837	2 269 975
Insurance		573 772	624 403
Travel		569 464	358 540
Computer expenses		102 416	147 638
Utilities		854 768	709 669
Other expenses		7 299 371	4 910 562
Total cost of selling and administrative expenses		51 742 569	44 373 078

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

31 MARCH 2019

		2019 P	2018 P
2	**STAFF COSTS**		
	Salaries and wages	22 821 945	20 324 386
	Pension costs (Note 4)	1 254 950	1 186 855
	Staff gratuity	2 042 002	3 048 198
		26 118 897	24 559 439
3	**FINANCE INCOME**		
	Interest income - Bank	783 690	443 169
	Unrealised exchange gain/(loss) on cash and cash equivalents	(2 349)	890
		786 039	442 279

4 PENSION FUND

The Centre operates a defined contribution pension plan for its employees which provides for a pension based on the length of service. The plan is administered by Alexander Forbes (Botswana) Ltd. Provision is made for gratuity for all contracted employees in terms of their respective employment contracts.

A defined contribution plan is a pension plan under which the Centre pays fixed contributions into a separate entity. The Centre has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits in the current and prior periods.

5 INCOME TAX

Botswana National Productivity Centre being an entity set up by the Government of Botswana, is exempt from tax under the provision of paragraph (ii) of Part I of the second schedule of the Income Tax Act 1995 as amended.

6 FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Centre's activities may expose it to a variety of financial risks such as market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Centre's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Centre's financial performance.

Foreign Currency Risk

As the Centre has no significant financial assets or liabilities denominated in foreign currencies, the Centre's income and operating cash flows are substantially independent of changes in foreign currency exchange rates.

Cash Flow and Fair Value Interest Rate Risk

The fluctuation in interest rates impacts on the value of short-term cash investments, giving rise to interest rate risk. Cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risk.

Price Risk

The Centre is not exposed to any price risks such as equity price risk, prepayment risk, and residual value risk.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Centre. As at 31 March 2019, the Centre's maximum exposure to credit risk which will cause a financial loss to the Centre due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

31 MARCH 2019

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Centre. As at 31 March 2019, the Centre's maximum exposure to credit risk which will cause a financial loss to the Centre due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise credit risk, the Centre has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. The Centre does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Centre applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all short-term receivables. To measure the expected credit losses, short-term receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 31 March 2019 is determined as follows:

IFRS 9: Impairment Provision Matrix as at 31 March 2019

Description	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
Gross carrying amount (P)	737 319	1 060 461	126 014	867 863	2 791 657
Amount not provided**(P)	-	(10 665)	(43 170)	(412 311)	(466 146)
Less: Specific provision(P)	-	(5 183)	(82 844)	(359 827)	(447 854)
Carrying amount net of specific provision (P)	737 319	1 044 613	-	95 725	1 877 657
Less: Collective expected loss rate (P)	11.35%	32.70%	0.00%	100%	14%
Loss allowance	(83 654)	(341 617)	-	(95 725)	(520 996)
Amount not provided**	-	10 665	43 170	412 311	466 146
Net carrying amount	653 665	702 996	-	-	1 822 807

***Amount not provided for relates to a receivable from a single debtor due at the reporting date which management believes is still collectible in full based on a settlement arrangement through an amount due to the debtor from the Centre.*

Reconciliation of impairment loss for trade receivables

Description	2019 P	2018 P
At 1 April - calculated under IAS 39	578 497	738 541
Amounts restated through opening accumulated surplus	152 724	-
Opening loss allowance as at 1 April 2018- Under IFRS 9	731 221	-
Increase in receivables loss allowance during the period	237 629	(160 044)
As at 31 March	968 850	578 497
Other receivables:		
Balance at beginning of year	42 795	42 795
Balance at end of year	42 795	42 795

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying operations, management maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Centre's cash and cash equivalents (Note 13) on the basis of expected cash flows. In addition, the Centre's liquidity management policy involves projecting cash flows required to meet major cash flow commitments and considering the level of liquid assets necessary to meet these obligations; monitoring balance sheet liquidity ratios against best financial practices and maintaining debt financing plans. The Centre's financial liabilities are short term in nature hence the maturity analysis of undiscounted cash flows has not been presented.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

31 MARCH 2019

FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital Risk Management

The Centre is a Government organisation with the main object being promoting increased productivity, improving standards of management and labour management relations and generally stimulating productivity consciousness in Botswana. As such all operations of the Centre are funded by Government and therefore not subject to capital risk.

Fair value estimation of financial instruments

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

Market risk sensitivity

The set of assumptions used for each of the risk factors hereunder are not forecasts, but merely "what if" scenarios and the likely impact on the current portfolio, based on selected changes in risk variables over a one year horizon.

The analysis below gives an indication of the risk sensitivities of the portfolio to various risk parameters. Assuming that the probability of the beneficial change in the risk variables are as likely to happen as an adverse change, both potential increase and decrease are shown for the indicated scenarios.

If interest rate yield had been 1% basis point higher/lower and all other variables held constant, the Centre's profit for the year ended 31 March 2019, would decrease/increase by P255 084 (2018: P205 804).

The Centre's exposure to foreign currency risk is analysed below:

All amounts in Botswana Pula

Financial instruments	**BWP**	**ZAR**	**Total**
As at 31 March 2019			
Trade and other receivables	2 093 426	-	2 093 426
Cash and cash equivalents	25 524 561	25 698	25 550 259
	27 617 987	25 698	27 643 685
Trade and other payables	3 983 423	-	3 983 423
As at 31 March 2018			
Trade and other receivables	3 544 361	-	3 544 361
Cash and cash equivalents	20 598 550	27 654	20 626 204
	24 142 911	27 654	24 170 565
Trade and other payables	2 848 958	-	2 848 958

Analysis of Financial Instruments

Financial instruments by category

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

	2019	**2018**
	P	**P**
Financial assets at amortised cost		
Assets as per the statement of financial position		
Trade and other receivables	2 093 426	3 544 361
Cash and cash equivalents	25 550 259	20 626 204
	27 643 685	24 170 565
Other financial liabilities at amortised cost		
Liabilities as per the statement of financial position		
Trade and other payables	3 983 423	2 848 958

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

31 MARCH 2019

7 PROPERTY, PLANT AND EQUIPMENT

	2019 Cost/ Valuation P	2019 Accumulated Depreciation P	2019 Carrying Value P	2018 Cost/ Valuation P	2018 Accumulated Depreciation P	2018 Carrying Value P
Building	52 300 000	-	52 300 000	49 220 000	(3 137 600)	46 082 400
Building Improvements	-	-	-	3 515 799	(2 746 643)	769 156
Plant & Machinery	2 473 251	(1 868 116)	605 135	2 346 091	(1 672 349)	673 742
Furniture & Fittings	2 885 687	(2 219 343)	666 344	2 776 864	(2 095 459)	681 405
Motor Vehicles	2 383 379	(1 047 633)	1 335 746	2 383 379	(877 530)	1 505 849
Office Equipment	2 887 555	(2 581 880)	305 675	2 987 074	(2 599 249)	387 825
IT Equipment	2 215 104	(1 414 829)	800 275	3 685 322	(3 128 963)	556 359
Residential Property	2 895 000	-	2 895 000	2 720 000	(186 344)	2 533 656
Library Books	1 570 914	(1 531 098)	39 816	1 557 288	(1 495 458)	61 830
Total	69 610 890	(10 662 899)	58 947 991	71 191 817	(17 939 595)	53 252 222

Reconciliation of property, plant and equipment-2019	Opening carrying amount P	Additions P	Revaluation P	Disposal/ Scrapped P	Depreciation P	Closing Carrying Value P
Building	46 082 400	-	7 786 400	-	(1 568 800)	52 300 000
Building Improvements	769 156	146 123	(652 459)	-	(262 820)	-
Plant & Machinery	673 742	127 160	-	-	(195 767)	605 135
Furniture & Fittings	681 405	155 932	-	-	(170 993)	666 344
Motor Vehicles	1 505 849	-	-	-	(170 103)	1 335 746
Office Equipment	387 825	114 295	-	-	(196 446)	305 674
IT Equipment	556 359	535 963	-	(4 582)	(287 464)	800 276
Residential Property	2 533 656	-	446 444	-	(85 100)	2 895 000
Library Books	61 830	13 626	-	-	(35 640)	39 816
	53 252 222	1 093 099	7 580 385	(4 582)	(2 973 133)	58 947 991

Reconciliation of property, plant and equipment-2018						
Building	47 651 200	-	-	-	(1 568 800)	46 082 400
Building Improvements	855 522	210 273	-	-	(296 639)	769 156
Plant & Machinery	918 878	-	-	-	(245 137)	673 741
Furniture & Fittings	656 761	204 267	-	-	(179 622)	681 406
Motor Vehicles	1 573 980	226 418	-	(145 382)	(149 166)	1 505 850
Office Equipment	318 834	237 344	-	-	(168 353)	387 825
IT Equipment	436 241	308 229	-	-	(188 111)	556 359
Residential Property	2 611 200	-	-	-	(77 544)	2 533 656
Library Books	82 803	18 452	-	-	(39 425)	61 830
	55 105 419	1 204 983	-	(145 382)	(2 912 797)	53 252 223

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

31 MARCH 2019

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Centre revalued office buildings on 31 May 2019 for the year ended 31 March 2019. The valuation was performed by Ribbery Proprietary Limited, an independent valuer. The fair value of the property was determined based on the depreciated replacement cost basis due to limited or no comparable evidence reflecting recent transaction prices of similar transactions. The valuation as at 31 March 2019 amounted to P52 300 000, and the resulting surplus of P7 133 941 has been recognised in other comprehensive income with a corresponding credit to the revaluation reserve. Cost information of the building is unavailable for comparative disclosures of what its carrying amount would have been, had it been carried at cost. Refer to Note 17 for further detail.

Residential properties included under staff housing were revalued on 29 March 2019 for the year ended 31 March 2019 by Kwena Property Services Proprietary Limited, an independent valuer. Residential properties were valued at P2 895 000 based on open market value. The resulting surplus of P446 444 has been recognised in other comprehensive income and was credited to the revaluation reserve within statement of changes in funds.

Had the residential properties been carried at cost without any revaluation adjustment, the respective carrying amount would be as follows:

	2019 P	2018 P
Cost	795 729	795 729
Accumulated depreciation	(795 729)	(795 729)
	-	-

8 INVENTORIES

Stores and consumables (at cost)	256 337	302 513
Opening balance of inventory	302 513	273 211
Add: Purchases	369 089	442 512
	671 602	715 723
Less: Inventory (write-downs)/write-ups	(1 790)	47 193
Less: Closing balance of inventory	(256 337)	(302 513)
Inventories recognised as an expense during the year	413 475	460 403

9 TRADE AND OTHER RECEIVABLES

Trade receivables	2 791 657	4 036 174
Less: provision for impairment	(968 850)	(578 497)
	1 822 807	3 457 677
Deposits and prepayments	133 282	351 528
Other receivables	313 414	129 479
Less: provision for impairment	(42 795)	(42 795)
	2 226 708	3 895 889

Reconciliation of impairment loss for trade and other receivables

Trade receivables		
At 1 April - calculated under IAS 39	578 497	738 541
Amount adjusted to the opening accumulated surplus	152 724	-
Opening loss allowance as at 1 April 2018- Under IFRS 9	731 221	738 541
Increase in receivables loss allowance during the period	237 629	(160 044)
As at 31 March	968 850	578 497
Other receivables:		
Balance at beginning of year	42 795	42 795
Balance at end of year	42 795	42 795

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

31 MARCH 2019

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

The Centre has credit terms of 30 days (2018: 30 days) after which amounts are considered to be past due. The carrying amounts of trade and other receivables are a reasonable approximation of their fair values as at the end of the reporting period

The recognition and release of provision for impairment of trade and other receivables have been included in administrative expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

10 CASH AND CASH EQUIVALENTS

	2019	2018
	P	P
Bank balances	4 128 109	2 691 992
Cash on hand	1 127	3 138
Short term deposits	16 693 306	13 449 887
Gratuity Investment Account	4 571 659	4 325 829
Gratuity Trust Account	156 058	155 358
	25 550 259	20 626 204

For the purpose of the cash flow statement, the year-end cash and cash equivalents comprises the following:

Cash at bank	25 549 132	20 623 066
Cash on hand	1 127	3 138
	25 550 259	20 626 204

11 CAPITAL GRANTS

Capital grants (Note 11.1)	48 127 945	50 718 566
Unutilised capital grants (Note 11.2)	620 052	620 052
	48 747 997	51 338 618

11.1 Capital grants

The Centre receives grants from Government based on the budget requirements approved by the Board. These funds are not refundable by the Centre to the Government.

Capital grants at beginning of year	50 718 566	52 494 219
Amortisation of capital grants	(2 755 062)	(2 835 253)
Transfer from unutilised capital grants(acquisitions)	169 023	1 204 982
Transfer to income on disposed property, plant and equipment	(4 582)	(145 382)
Capital grants at end of year	48 127 945	50 718 566

11.2 Unutilised capital grants

Unutilised capital grants represent the amounts not fully utilised during the year and carried forward for utilisation in future periods. These are segregated from the capital grants to monitor the unutilised portion and match utilisation with the assets acquired.

Unutilised capital grants at beginning of year	620 052	1 516 805
Transfer to capital grants	(169 023)	(1 204 982)
Received during the year	169 023	308 229
Unutilised capital grants at end of year	620 052	620 052

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

31 MARCH 2019

	2019 P	2018 P
12 REVALUATION RESERVE		
Balance at beginning of the period	3 708 708	3 708 708
Gain on revaluation of properties	7 580 385	-
Balance at end of year	11 289 093	3 708 708

The revaluation reserve arises as a result of revaluation of properties to reflect the current market value.

	2019 P	2018 P
13 TRADE AND OTHER PAYABLES		
Trade payables	959 094	280 243
Other accounts payable	3 024 329	2 568 714
Provisions (Note 13.1)	7 415 491	5 901 833
	11 398 914	8 750 790

The carrying amounts of trade and other payables are a reasonable approximation of their fair values as at the end of the reporting period. The average credit period on purchases of goods and services is 30 days (2018:30 days). No interest is charged on trade payables for the first 60 days from the date of the invoice. Thereafter interest may be charged per month on the outstanding balance by some suppliers. The Centre has put measures in place to ensure that all payables are paid with the credit time frame.

13.1 Payroll Accruals	Leave pay P	Gratuity P	Total P
Balance at the beginning of year	1 755 699	4 146 133	5 901 832
Provisions for the year	1 586 659	3 101 796	4 688 455
Payments made during the year	(618 547)	(2 556 249)	(3 174 796)
Balance at end of year	2 723 811	4 691 680	7 415 491

Gratuity

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

Leave pay

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

14 RELATED PARTY TRANSACTIONS

The Centre's related parties constitute the parent ministry and the department where the Centre reports being the Ministry of Employment, Labour, Productivity and Skills Development.

The Centre has a related party relationship with its directors and executive officers as well as entities that are controlled by those directors and executive officers.

During the year the Centre has entered into the following transactions with its related parties:	2019 P	2018 P
Sale of Services to Ministry of Employment, Labour Productivity and Skills Development	70 625	-
Recurrent Grant received from Ministry of Employment Labour Productivity and Skills Development	43 086 062	38 603 198
Project grants received from Ministry of Employment Labour Productivity and Skills Development	-	2 000 000
Remuneration paid to key management	5 643 395	5 235 353
Pension costs for key management personnel	69 580	62 726
Gratuity costs for key management personnel	1 059 794	891 393
Board sitting fees paid to board members	92 349	74 655

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

31 MARCH 2019

14 RELATED PARTY TRANSACTIONS (CONTINUED)

	2019 P	2018 P
The following are balance due to related parties:		
Provision for employee benefits for key management personnel	1 602 870	709 053

15 PROJECT GRANTS

	Balance at beginning of year	Funds received	Transfer in(out)	Expenditure	Balance at end of year
Year ended 31 March 2019	P	P	P	P	P
Maintenance Project	219 501	-	-	-	219 501
Botswana Quality Workforce Project	6 545	-		-	6 545
Work Ethic Project	1 837 620	-	-	(1 599 700)	237 920
ICT Project	936 647		(169 022)	(715 759)	51 866
	3 000 313	-	(169 022)	(2 315 459)	515 832
Year ended 31 March 2018					
Maintenance Project	219 501	-	-	-	219 501
Botswana Quality Workforce Project	6 545	-	-	-	6 545
Work Ethic Project	2 122 887		-	(285 267)	1 837 620
ICT Project	-	2 000 000	(308 229)	(755 124)	936 647
Total	2 348 933	2 000 000	(308 229)	(1 040 391)	3 000 313

The projects grants amounts arise as a result of on going funded project by the Government of Botswana.

16 OPERATING LEASE COMMITMENTS

The Centre as a lessee

Operating lease payments represent rentals payable by the centre for certain of its office properties. Leases are negotiable for an average term of three years and rentals are fixed for an average of one years with 10% escalation clause.

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

	2019 P	2018 P
Not later than 1 year	224 585	428 755
Between two and five years	-	224 585
	224 585	653 340
Payments recognised as an expense	593 130	305 178

The Centre as a lessor

Operating lease relates to the restaurant facility within the Centre's Complex in Gaborone leased out on a 3 year term and the residential property leased out on a 2 year term, both leases escalating by 10% per annum. The tenants do not have an option to purchase the leased assets at the expiry of the lease periods.

NOTES TO THE FINANCIAL STATEMENTS [CONTINUED]

31 MARCH 2019

16 OPERATING LEASE COMMITMENTS (CONTINUED)

	2019	2018
Lease income received	P	P
Contractual revenue	437 500	488 839
Straight line lease rental adjustment	80 357	43 426
	517 857	532 265

The future aggregate minimum lease income under non-cancellable operating lease arrangements are as follows:

Not later than 1 year	29 464	517 857
Between two and five years	-	29 464
	29 464	547 321

17 GOVERNMENT LAND AND BUILDING

The Centre has since inception been using land and buildings provided by the Government of Botswana for administrative purposes. The ownership and title have not yet been transferred to the Centre. The Centre is in the process of obtaining title and ownership of the property. The Government of Botswana currently holds the legal title of the building.

18 CONTINGENCIES

The Centre has issued a guarantee to Bank of Baroda (Botswana) Limited to a maximum extent of P6,100,000 for a facility to provide the staff of the Centre with motor vehicles, computers, and personal loans. Total advances obtained by eligible employees through the scheme amounted to P36 363 as at 31 March 2019 (2018: P325 560).

A case was lodged with the Court of Appeal against the Centre by one of its employees in respect of salary payments. The matter is still pending before the Court of Appeal and the estimated possible settlement, amounts to P85 000,00 in the event of judgement against the Centre.

20 EVENTS AFTER REPORTING PERIOD

There were no material events that occurred after the reporting period that require disclosure or adjustment to the financial statements.

DETAILED INCOME STATEMENT

31 MARCH 2019

	Notes	2019 P	2018 P
Revenue			
Grant received	1	45 401 521	39 643 589
Sale of services	1	5 979 573	6 596 014
Other operating income			
Rental income		517 857	532 265
Profit on disposal of property, plant and equipment		27 909	317
Excess of provision written back		-	160 044
Other income		176 159	128 930
		721 925	821 556
Capital grants transferred to income on disposal of assets		4 582	145 382
Amortisation of capital grants		2 755 062	2 835 253
Administrative Expenses			
Advertising		-	117 130
Auditors' remuneration		202 436	153 569
Bank charges		35 729	32 293
Board expenses		135 250	261 053
Cleaning		244 385	311 787
Computer expenses		102 416	147 638
Consulting fees		440 119	151 001
Depreciation		2 973 133	2 912 797
General expenses		531 804	510 668
Hire of equipment		650 265	675 612
Impairment of receivables		237 629	-
Bad debts		-	481 115
Insurance		573 772	624 403
Legal expenses		109 295	151 137
Operating lease rentals		593 130	305 178
Participants catering		328 733	142 615
Petrol and oil		199 798	117 973
Postage costs		20 978	16 873
Printing and stationery		387 762	370 769
Project expenses		3 813 837	2 269 975
Promotions		1 097 488	766 997
Recruitment expenses		180 312	68 852
Remuneration paid to directors and key management		6 772 769	5 235 353
Repairs and maintenance		845 432	768 175
Security costs		205 618	221 594
Staff costs		26 118 897	24 559 439
Staff welfare		110 734	84 072
Subscriptions		1 271 440	936 719
Telephone and fax		302 419	283 553
Training - staff		1 832 757	626 529
Travel		569 464	358 540
Utilities		854 768	709 669
		51 742 569	44 373 078
Operating surplus		3 120 094	5 668 716