

BIDPA

2018

# ANNUAL REPORT



Botswana Institute  
for Development  
Policy Analysis

# Table of contents

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|                                         |           |
|-----------------------------------------|-----------|
| Chairman's Statement                    | <b>2</b>  |
| Executive Director's Overview           | <b>3</b>  |
| Corporate Profile                       | <b>5</b>  |
| Governance (Board Of Trustees)          | <b>6</b>  |
| Management Committee                    | <b>12</b> |
| Organogram                              | <b>14</b> |
| Library                                 | <b>15</b> |
| Research and Policy Analysis Activities | <b>17</b> |
| Capacity Building Activities            | <b>21</b> |
| Annual Financial Statements             | <b>23</b> |

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# The Botswana Institute for Development Policy Analysis

The Botswana Institute for Development Policy Analysis (BIDPA) is a non-governmental research organization established by a deed of trust. The two key areas of BIDPA's mandate are development policy analysis and capacity building.

The Institute's aim is to promote policy analysis through research, monitoring the country's economic performance and disseminating policy research results.

<http://www.bidpa.bw/>



## Chairman's Statement

During the year under review, BIDPA continued to advance its mandate of public policy analysis and capacity building in policy analysis. The Institute embarked on both demand - and supply - driven work, covering developmental issues that affect Botswana. In recognition of its quality research work, BIDPA was ranked the top think tank in Sub-Saharan Africa in the 2017 Global Go To Think Tank Index.

It is my considered view that this achievement would serve as an inspiration to our stakeholders and partners to sustain support for the Institute going forward. In executing its mandate, particularly in respect of demand-driven research, the Institute closely collaborated with stakeholders mainly Government, Parastatal Organisations and Development Partners. Consequently, the work of the Institute has impacted policy dialogue in Botswana.

BIDPA continues to face challenges related to staff attraction and retention, especially at the senior research staff level. Senior researchers are a critical and strategic cadre as the primary drivers of the Institute's core mandate.

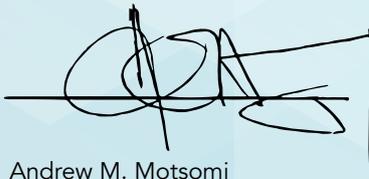
Notwithstanding the foregoing challenges, I am happy that this year the Institute met its performance targets in the areas of income generation and, research and publications.

As the BIDPA Board of Trustees, we will build on the achievements made by the Institute, and leverage on the goodwill of

the Institute's stakeholders and partners in order to advance the mandate of the Institute.

Finally, let me express my profound gratitude, to my colleagues in the Board of Trustees for their sustained commitment toward the advancement of the Institute's strategic agenda.

I also wish to acknowledge and appreciate the efforts of the Botswana Government for the provision of financial support, as well as development partners, non-state actors and all other players for the assistance rendered in other areas.



Andrew M. Motsomi  
**Chairperson**



## Executive Director's Overview

During the 2017/18 financial year, BIDPA continued to make a mark as a leading public policy research institute. As demonstrated in this annual report, the Institute achieved significant milestones in its two core activities of demand- and supply-driven research. Key demand-driven projects undertaken during the period under review included the Evaluation of the Effectiveness of the Citizen Economic Empowerment Policy and the Evaluation of the Alcohol Campaign, which were undertaken on behalf of our stakeholders.

Various supply-driven projects were completed, leading to the production of Working Papers and Policy Briefs, which may be accessed through the Institute's website ([www.bidpa.bw](http://www.bidpa.bw)), the Africa Portal (<https://www.africaportal.org/>) or the Institute's library at BIDPA House. These publications define the 'think tank' mandate of the Institute, and are intended to contribute to policy dialogue and debate, as well as to inform policy formulation. I urge stakeholders to use these resources.

Owing to its consistent quality delivery of its mandate of policy research and analysis, and capacity building in policy analysis, BIDPA was ranked the top think tank in Sub-Saharan Africa in the 2017 Go To Think Tank Index, having occupied the third spot in the previous year. The report is produced by the Think Tank and Civil Society Program at the University of Pennsylvania in the United States.

BIDPA is currently in the process of developing a new strategic plan for the period 2018/19 - 2022/23, which is expected to cement the Institute's position as a leading policy research institute on the African continent and to place it among the leaders globally. The new strategic plan would position the Institute to contribute

more to the amelioration of emerging development challenges in Botswana, and to the attainment of the current National Development Plan and the National Vision 2036 goals.

In conclusion, let me take this opportunity to thank, on behalf of the Management Team and staff, the BIDPA Board of Trustees for the leadership they have provided to steer the Institute on a sustainable path. I would also like to express my gratitude to BIDPA management and staff for their commitment and effort to ensuring that the Institute achieves its mandate. I also appreciate the financial support from the Government of Botswana, without which the Institute would have been unable to fulfil its mandate.

Finally, I should also thank all our stakeholders, including public agencies, development partners and non-state actors, who continue to collaborate with the Institute in one way or another.



Tebogo B. Seleka, Ph.D  
**Executive Director**





# Corporate Profile

## BIDPA Mandate

The Botswana Institute for Development Policy Analysis (BIDPA) is an independent trust set up by a Presidential Decree. It started operations in 1995 as a non-government policy research institute. The Institute's mandate is defined by the five components of Institutional Capacity Building; Economic Research and Policy Analysis; Professional Training; Networking and Public Education; and Dissemination and Publication. The focus of BIDPA work is mainly informed by the Institute's mandate as defined in the Deed of Trust that established the institution.

### Vision, Mission and Values

- **Vision**  
To be a globally competitive policy research Institute.
- **Mission Statement**  
To be a centre of excellence that provides policy research, analysis, advice and capacity building.
- **Corporate Values**  
The following set of values drive the operations of the Institute:
  - **Professionalism:**  
Education, Relevant skills, Dedication, Team Spirit, Competency and Commitment.
  - **Integrity:**  
Ethical Behavior, Credibility, Appreciation, Trust and Transparency.
  - **Competitiveness:**  
Effectiveness, Efficiency, Timely Delivery, Quality Products/services, Pro-activeness and Dynamism.

### BIDPA Objectives:

- To promote and conduct research, analysis and publication on development policy issues of relevance to Botswana and the Southern African region.
- To monitor the performance of the Botswana economy and the management of public policy implementation, especially with regard to the implications for economic and social development.
- To offer advice and consultancy services to agencies of Government and other clients under suitable contractual and other arrangements.
- To provide technical and financial assistance, directly or indirectly, to individuals and organizations in Botswana as deemed desirable for purposes of facilitating policy analysis.
- To assist professional training and public education of Botswana citizens in matters relating to policy analysis, and encourage collaboration between expatriates and local professionals in these matters in ways that build or augment national capacities for performance and understanding of policy analysis.
- To employ staff members who will themselves, or jointly with other organizations or qualified people, carry out research, consultancy, training and education projects, including arrangement and management of contractual relationships designed to facilitate such activities by persons affiliated with the Institute.
- To present or publish, as the case may be, the outcome of its policy analysis, orally or in writing, to individuals, organizations or the general public at large.
- To mobilize and administer funds to be used for the achievement of the objectives and performance of the functions of the Institute.

# Governance



Mr. A. M. Motsomi  
Board Chairperson



Ms. C. O. Ramalefo  
Deputy Chairperson



Dr. T. B. Seleka  
Board Secretary



Prof. P. M. Makepe  
Board Member

## Board Of Trustees

The Board of Trustees, constituted in terms of the Deed of Trust of 1995, is responsible for the policy direction that the Institute takes from time to time. The Board is vested with the authority and responsibility to exercise control over all the activities conducted by the Institute.

There are 7 members, five of whom are representatives of institutions from the Government of Botswana (Office of the President; and Ministry of Finance and Economic Development), University of Botswana, Bank of Botswana, and Business Botswana. The other two members are

representatives of the civil society and research professionals. The Executive Director is an ex-officio member and Secretary to the Board.

There are three subcommittees of the Board: Finance and Audit Committee, Tender and Procurement Committee, and Human Resource Committee. The Finance and Audit Committee deals with and advises on financial policies of the Institute and related matters. The Tender and Procurement Committee focuses on procurement policy issues, while the Human Resource Committee deals with policies related to employees of the organization.



**Mr. K. Ndobano**  
Board Member



**Mr. P. Draper**  
Board Member



**Dr. T. Sekambo**  
Board Member



**Dr. R. Moatshe**  
Board Member

## Board Of Trustees



**Mr. A. M. Motsomi**  
Chairperson



**Ms. C. O. Ramafelo**  
Deputy Chairperson



**Dr. T. B. Seleka**  
Secretary



**Prof. P. M. Makepe**



**Mr. K. Ndobano**



**Mr. P. Draper**



**Dr. T. Sekambo**



**Dr. R. Moatshe**

# Committee Members

## ***Finance and Audit Committee Members***



**Mr. K. Ndobano**



**Ms. C. O. Ramalefo**  
Chairperson



**Ms. C. Ramphaleng**



**Mr. C. Moapare**



**Dr. T. B. Seleka**  
Secretary

## ***Human Resources Committee Members***



**Ms. C. O. Ramalefo**



**Prof. P. M. Makepe**  
Chairperson



**Ms. W. Ramaphoi**



**Ms. M. Molebatsi**



**Dr. T. B. Seleka**  
Secretary

# Committee Members

## ***Tender and Procurement Committee Members***



**Mr. Z. Mmolawa**



**Prof. P. M. Makepe**  
Chairperson



**Mr. L. Tlhalerwa**



**Ms. K. Keloneilwe**



**Dr. T. B. Seleka**  
Secretary



## Management Committee



**Dr. Tebogo B. Seleka**  
Executive Director



**Mr. Leo Issacs**  
IT Manager



**Ms. Boitumelo Wadikonyana**  
HR Manager



**Prof. Patrick Malope**  
Senior Research Fellow

The BIDPA Management Committee comprises the Executive Director, the Programme Coordinator, the Chief Librarian, the Finance Administrator, the IT Manager and all Senior Research Fellows. The Executive Director is appointed by the Board of Trustees. The Executive Director has everyday management responsibility for all the activities of the Institute.

Senior Research Fellows are heads of the research units of the Institute. Non-research managers are responsible for Information and Technology, Finance, Programme Coordination, Library and Human Resources.



**Prof. Eugene Kouassi**  
Senior Research Fellow

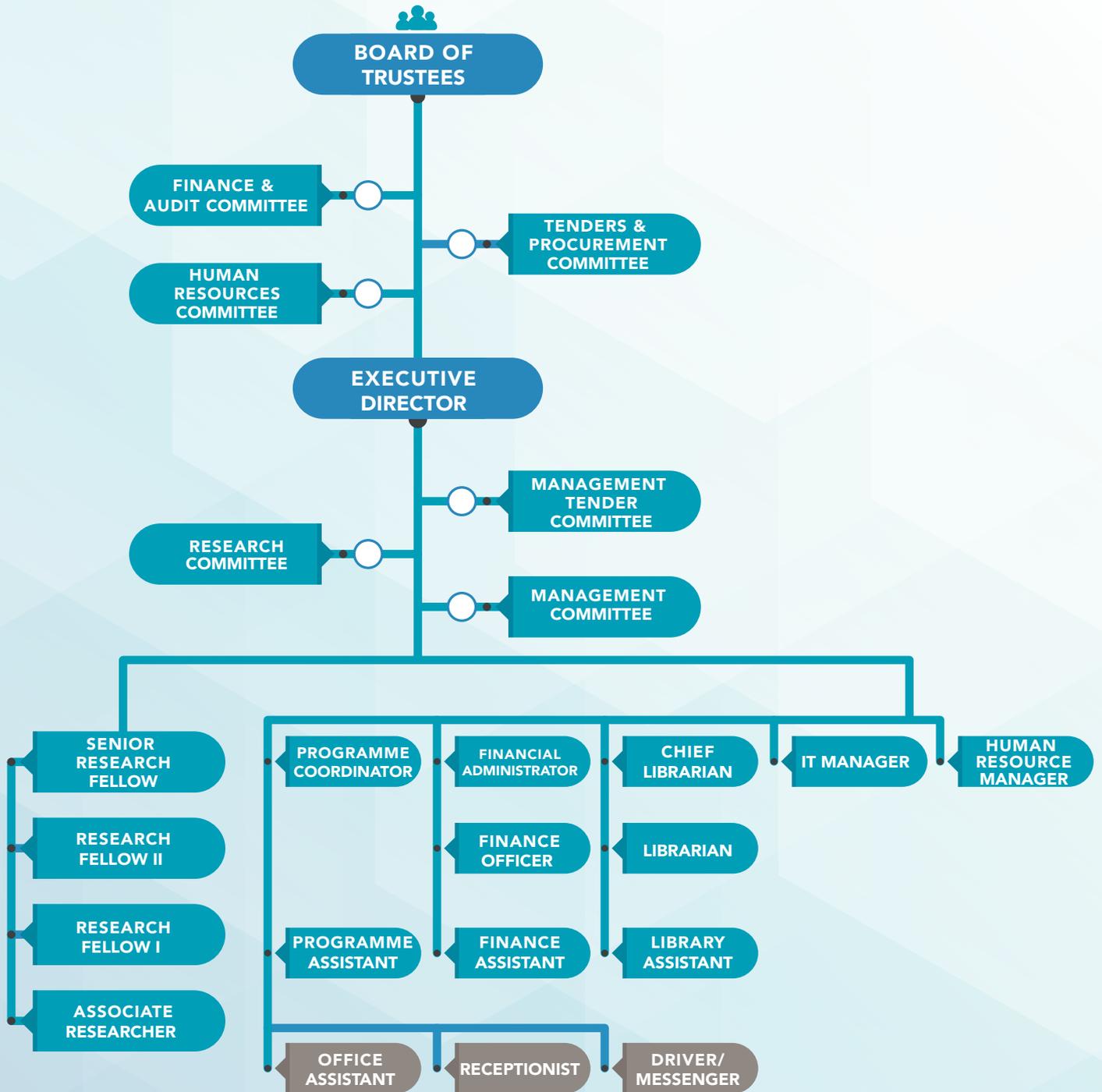


**Ms. Bangwe Siwawa - Moepeng**  
Financial Administrator



**Mr. Jan Seanego**  
Chief Librarian

# Organogram



# Library Services

**The Botswana Institute for Development Policy Analysis is housed in the BIDPA House at Kgale View, Plot 134, Gaborone International Finance Park. BIDPA House includes two seminar rooms and an automated research library that provides access to internet and a range of specialized electronic databases.**

Through its library and information technology resources, BIDPA has been able to extend its information services to a wider audience. The library collection emphasizes the following subject areas: Agricultural Economics; Development Economics; Financial Economics; Gender; Globalization; Governance and Civil Society; HIV/AIDS; Income Distribution; Policy Making; Poverty; Private Sector/Privatization; Public Administration; and Research & Statistical Methods.

BIDPA library has in the recent past hosted the Botswana Development Information Centre (BDIC) which was a World Bank partnership initiative with local development agencies meant to facilitate access to development information and resources sharing. The BDIC was a one stop centre which offered development information in print, electronic and

online formats. As a result of this partnership, the library served as a World Bank repository for both print and electronic information resources. This initiative has added a great deal of value to BIDPA library collections, particularly in terms of development related information.

In addition to making policy information material readily available via the BIDPA website (<http://www.bidpa.bw>), the library has content sharing arrangements with other organizations such as the South African Institute of International Affairs (SAIIA) and the British Library for Development Studies (BLDS). These partnerships have resulted in increased web presence and remarkable visibility of the Institute as BIDPA research outputs become available through multiple digital platforms.

The library also maintains a digital institutional repository to further promote access to BIDPA research products. This is a digital archive that houses all BIDPA publications and allows for 'anywhere and anytime' access to the publications. This has further enhanced BIDPA's digital footprint and visibility in general.





# Research & Policy Analysis Activities

This section covers supply and demand-driven research activities undertaken by the Institute during the 2017/2018 financial year.

## Supply Driven Research

### **Determinants of Self-Employment in Botswana**

The global market is rapidly recognizing the importance of entrepreneurship and self-employment, especially in growing the economy, creating jobs and reducing poverty. This paper employs the logit regression model to investigate the determinants of self-employment in Botswana, using the 2009/2010 Botswana Core Welfare Indicator Survey (BCWIS) data. The results reveal that individuals who are male, citizens, educated and living in cities are less likely to be self-employed than their counterparts.

On the other hand, the age of the entrepreneur positively influences the likelihood of self-employment, as well as being a widow. Public policy needs to empower females and rural dwellers in terms of skills and entrepreneurship training in order to enhance their success in their self-employment activities. In addition, government should continue with its efforts of providing assistance to the youth for entrepreneurial development in order to reduce unemployment.

### **Determinants of Informal Sector Business Success in Botswana**

The informal sector plays a critical role in many countries as it provides alternative sources of employment and economic diversification. This paper investigates the determinants of the success of the informal sector in Botswana, using a logit regression model. The study uses data from the 2006/07 Informal Sector Survey conducted by Statistics Botswana. The results reveal that education of the business owner and age of the business enhance business success. Firms that have no employees are also more likely to succeed. Further, firms that operate in manufacturing, services, agriculture and construction sectors were found to be more likely to succeed than those operating in the retail sector.

The study recommends that public policy should focus on assisting start-ups as they are more likely to fail, in order to reduce high business discontinuation rate. In addition, government should continue to implement its policy of universal education as more educated entrepreneurs are more likely to succeed in business. Firms with no employees are likely to succeed than those with more employees, suggesting that business owners are unable to manage their

human resources. This calls for the introduction of programs aimed at capacitating business owners in the area of business management in general and in particular human resource management.

### **The Relationship between Electronic Money Penetration and Household Consumption: VECM Granger Causality Analysis**

The development and use of Electronic Money (e-money) remain one of the most discussed topics in developing countries, yet literature on the relationship between e-money penetration and household consumption remains negligible. Available literature confirms that e-money penetration has a significant impact on economic activity in both developed and emerging economies. In Botswana, the advancement of e-money is highly associated with the forces of consumer demand and the supply of e-money products in the market. However, the impacts of e-money on household consumption are not known.

This paper, therefore, examines the causal link between e-money (EM) penetration and Household Consumption (HC) using quarterly data over the period 2007-2017. The study uses Granger causality test based on the Vector Error Correction Model. The empirical results provide evidence of the causal impact of household consumption on e-money penetration in Botswana only in the short-run. In addition, the empirical results also confirm that if the use of electronic payment technologies is developed in the long-run, e-money penetration would predict household consumption in Botswana. It can be concluded that the growth impact of e-money on household consumption is still insignificant in Botswana, but in the long-run the use of e-money technologies can impact household consumption. It is therefore, important that the government and financial service providers continue to provide a more conducive environment to increase the electronic payment outlets.

### **Public Policy Implementation Prospects and Challenges in Botswana: Case of the National Policy on Care for People with Disabilities**

People with disabilities (PWDs) are often subjected to economic and social exclusion. This paper assesses factors that contribute to, and/or hinder the implementation of Botswana's national disability policy. Despite the Government of Botswana's efforts to uplift marginalised and vulnerable groups, PWDs remain disenfranchised as a result of social, physical and legislative barriers. Data was collected from secondary data sources and analysed using thematic analysis. The Analysis of Determinants of Policy Impact (ADEPT)

## Research & Policy Analysis Activities (cont...)

approach, which aims to explain and influence policy development and policy impact implementation with four determinants: goals, obligations, resources and opportunities, was adopted. The study's findings show that 22 years after its adoption, the National Policy on Care for People with Disabilities has not resulted in the desired policy outcomes, let alone achieved its objective of improving the lives of people with disabilities. While the Policy has the potential to be an important tool in achieving social inclusion and protecting the rights of PWDs, implementation gaps remain, essentially limiting its effectiveness.

### **Analysis of Tax Performance in Botswana: Tax Effort Index Approach**

This study estimates the impacts of different economic sectors and other determinants on tax revenue in Botswana using Two Stage Least Squares (TSLS) estimation procedure and quarterly data for the period 1994/95 (1)-2013/14 (4). The study further assesses whether Botswana has been using its average taxable capacity to an optimal level using a Tax Effort Index (TEI) approach. The results obtained suggest that the elasticities of tax revenue with respect to mining sector, trade sector, manufacturing sector, GDP per capita and outstanding debt are positive, while that with respect to total grants is negative. However, the agricultural sector has had no impact on tax revenue collections. Therefore, policies aimed at expanding economic sectors which are positively related to tax revenue would lead to increased tax collections. Another approach for increasing tax collection is to capacitate tax collectors, so as to improve their skills and necessary infrastructure for tax collection.

### **Determinants of Tourism Demand in the SADC Region**

This study estimates the determinants of tourism demand in Southern Africa Development Community (SADC) region using Generalised Least Squares (GLS) estimation procedure and panel data for the period 1997-2015. The results obtained suggest that the elasticities of tourism demand with respect to real capital investment on the tourism sector, real exchange rate, real gross domestic product (GDP), proportion of population with access to internet and global peace index are positive, while that with respect to inflation rate is negative. These results imply that for any country in the SADC region to attract more arrivals of tourists: it should invest significantly on the tourism sector, in terms of upgrading tourism infrastructure; implement exchange rate policy that is favourable to international tourists; and promote a reputation of being a peaceful and less corrupt country. Since tourism has strong linkages with other economic sectors, it is an ideal prospect for economic diversification.

### **Financing SMEs in Botswana: Factors Influencing Access to Credit**

This study examines factors influencing access to credit by SMEs in Botswana. Using the 2010 World Bank Enterprise Survey, and employing logit model for analysis, we find that access to credit is influenced by gender, citizenship and experience of the entrepreneur; as well as firm-size, sector of business, sales and land ownership. Therefore, public policy must pay attention to the diversities of SMEs' socio-economic characteristics as well as the business environment in which they operate when implementing finance assistance programmes. Measures to develop SMEs must be carefully focused, aiming at providing incentives for financial institutions to play an active role in SME financing. Government must formulate policies that will make finance institutions relax their requirements and lending procedures which tend to discourage borrowing. Similarly, public policy must be focused on strengthening the business acumen of SMEs through trainings and workshops, such that they are perceived attractive to financiers.

### **Effects of Input Subsidies on Subsistence Crop Acreage Diversity in Botswana**

The study investigates the patterns and determinants of subsistence acreage diversity in Botswana for the period 1978/79-2013/14, focusing on the role of input subsidies. Results suggest that acreage diversity declined during 1978/79 - 1987/88, due to increasing concentration on the dominant crop of sorghum. However, acreage diversity rose during 1987/88 - 2006/07, owing to falling concentration on sorghum production. Acreage diversity then fell again during 2006/07 - 2013/14 because of increasing concentration on maize, which had by then become a dominant crop. We found increased rainfall in the current year to yield a decline in acreage diversity in the current year, as farmers increased maize (a riskier crop climate-wise) acreage share, and reduced beans/pulses (a less risky crop) acreage shares. However, increased rainfall in the current year causes risk-averse farmers to reduce sorghum (a drought tolerant crop) acreage share and to increase maize, beans/pulses and groundnuts acreage shares in a subsequent year. Trend variable coefficients reveal increased acreage diversity over time, which may have been induced by extension messages and programs meant to promote crop diversity away from traditional staple cereals into non-cereal crops. The ISPAAD input subsidy program has yielded reduced acreage diversity, due to its negative impact on maize and beans/pulses acreage shares. Such unintended effects imply that ISPAAD has conflicted with the national objective of promoting agricultural diversification.

# Research & Policy Analysis Activities (cont...)

## **Determinants of service sector growth in Botswana**

This study examines the factors affecting service sector growth and development in Botswana. Using annual time series data from 1980 to 2015, the study employs the autoregressive distributed lag (ARDL) estimation technique to identify the factors that contribute to service sector growth. The results show that gross national expenditure, domestic credit to the private sector and gross fixed capital formation contribute positively to the growth of the service sector in Botswana. However, trade openness is found to negatively impact the growth of service sector in the country. The policy implication of the results is that in formulating service oriented policies, government should focus on factors that augment the growth of services sector. Specifically, government should increase spending on the service sector and its sub-sectors. Also, the banking sector should avail credit to the private sector as this is essential for the growth and development of the service sector.

## **Financial Development and Economic Growth in Botswana**

The study examines the interrelationships between financial development, economic growth, capital accumulation and productivity growth in Botswana over the period 1980-2014. Using the Autoregressive Distributed Lag (ARDL) bound test technique, we find that financial development, measured by private credit, has a negative and significant impact on economic growth both in the long and short run. In contrast, we observe that financial development, measured by liquid liabilities, has a positive and significant impact on economic growth in the short run. Furthermore, the empirical results show that the interrelationship between FD (private credit) and economic growth support the supply leading hypothesis while the interrelationships between FD (liquid liabilities) and economic growth support the demand-following hypothesis.

On a positive note, the empirical evidence also suggests that financial development (private credit) leads to higher output level in Botswana through promoting the accumulation of assets. Thus, for financial development to promote economic growth through both the accumulation of capital and productivity growth, it is useful to further develop Botswana's financial market. Efficient financial institutions may encourage innovation by mobilising resources to finance promising investment projects, evaluating prospective entrepreneurs and allowing investors to diversify the risks related to uncertain innovative activities. It is also crucial to improve the investment environment in Botswana which will encourage lending activities by the financial sector, especially towards the business sector. Furthermore, if diversification of the Botswana economy continues, we can expect the financial

development to play a more prominent role in the country's overall economic performance in the future.

## **Demand Driven Research**

### **Completed Projects**

#### **Evaluation of the Effectiveness of the Citizen Economic Empowerment Policy**

BIDPA was engaged by the Public Procurement and Asset Disposal Board (PPADB) to conduct a comprehensive study to assess the effectiveness of the Citizen Economic Empowerment (CEE) Policy. The other objectives of the study were to: provide baseline data on what the CEE Policy has achieved to date; develop a monitoring tool that would serve as a performance indicator and control for effective implementation; examine the performance of strategies and schemes under the CEE Policy; establish whether or not it was necessary to institute CEE legislation to address some of the constraints encountered during the implementation of the policy; and to make recommendations on any of the issues identified, including measures required to improve the policy and citizen economic participation in the economy.

#### **Evaluation of the Alcohol Campaign Study**

BIDPA was contracted to undertake the above study on behalf of the Ministry of Health and Wellness. The study sought to evaluate the various interventions that had been put in place to reduce excessive alcohol consumption in Botswana. The specific objectives of the study were to: determine the overall impact of the interventions against excessive alcohol consumption; assess the economic and other related impacts of the Alcohol Levy and other regulatory measures on alcohol consumption; and based on international best practice, recommend strategic priorities to enhance the effectiveness of the national interventions against alcohol abuse.

#### **Open Budget Index 2017**

This was a collaborative project between BIDPA and the International Budget Partnership (IBP), which is based in Washington, D.C., United States of America. The Open Budget Survey 2017 was about transparency, public participation and accountability in government budgets. It was aimed at analyzing, evaluating, and comparing public budget transparency in three specific dimensions: whether central governments gave the public access to budget information; whether the public had opportunities to participate in the budget process; and the ability of legislatures and auditors to hold their governments accountable.

# Research & Policy Analysis Activities (cont...)

## On-going Projects

### ***Decentralization Policy and Implementation Plan for Botswana***

BIDPA has been engaged by Ministry of Local Government and Rural Development (MLGRD) and the Common Wealth Local Government Forum (CGLF) to facilitate the development of the Decentralization Policy and Implementation Plan for Botswana. The specific objectives of the policy focus on core issues related to the empowerment of local authorities as key drivers of good governance, human resource capacity, planning, financing, accountability and transparency.

### ***Study on the Contribution of Copyright Industries to the National Economy of Botswana***

BIDPA has been engaged by Companies and Intellectual Property Authority (CIPA) to conduct a study on the economic contribution of copyright-based industries in Botswana. Botswana follows 55 other countries which have commissioned similar studies based on the recommendation from the World Intellectual Property Organization (WIPO) publication on "Guide on Surveying the Economic Contribution of Copyright-based Industries". The main objective of the study is to quantify the contribution of copyright industries to the Botswana economy, including their value addition to the Gross Domestic Product (GDP), their share in national employment and the revenue they generate from foreign trade.

The study is also intended to illustrate the level of importance of the copyright industries, assess their market structure, their value chains, their demand and supply patterns and the labour market. Further, the study will analyse the policy and legal framework for the copyright industries as well as the institutional structures/relationships, including the roles of collective management organisations and other copyright-related organisations. The other objective of the study is to identify the comparative advantages of the copyright industries in relation to other industrial sectors as well as relative to other countries' copyright industries. The study will make recommendations on policy, strategy and institutional arrangements in order to foster the development of the Copyright Industries in Botswana.

### ***Women Entrepreneurship Study***

The Botswana Institute for the Development Policy Analysis was engaged by the World Bank to conduct a study on women entrepreneurship in Botswana. The objective of this study was to inform policies and interventions aimed at increasing returns to self-employment in Botswana through an analysis of gender-related constraints. The study involved conducting a firm survey in urban Botswana to investigate why some women were able to cross over into traditionally men-dominated sectors, and measure their business performance. The survey interviewed 750 enterprises in urban areas, comprising of men-owned enterprises, women-owned enterprises operating in traditionally men-dominated sectors, and women-owned enterprises operating in traditionally women-dominated sectors in both the formal and informal sectors. The study would contribute to building the evidence base that could inform policies supporting women to cross over to more productive sectors that are currently dominated by men.

# Capacity Building Activities

BIDPA strives to further enhance its employees' capabilities by providing them with opportunities to attend a broad range of capacity building activities. These activities include short courses, workshops, conferences BIDPA employees participated. The following are the capacity building activities that were undertaken by BIDPA employees during the year under review.

## Training/Short courses

1. Ms. Koketso Molefhi attended a course on "Research Methodology, Survey Methodology and Data Management" organized by the Institute for Capacity Development, during 12-23 February 2018, Windhoek, Namibia.
2. Ms. Kedibonye Sekakela attended training titled "Dependence Modelling Using Multivariate Copulas" with Application during 28-30 June 2017, Norwich Research Park, United Kingdom.
3. Prof. Eugene Kouassi attended the "12th Meeting of the Scientific Committee of the African Integration and Development Review" during the period 13-15 July 2017, Nairobi, Kenya.
4. Mr. Raymond Lekobane attended a training titled a "Fuzzy set approach to Multi-Dimensional Poverty Measurement" during 1-8 August, 2017 in Bielefeld Germany.
5. Ms. Lilian Mookodi attended a course on "Inequality Decomposition by Factor Components" organized by the African Programme on Rethinking Development Economics (ARPODE) during the period 4-15 October 2017, Johannesburg, South Africa.
6. Ms. Thabile Samboma attended a course on "Programme Evaluation" during 9-13 October, 2017 in Cape Town, South Africa.
7. Ms. Boitumelo Wadikonyana attended an "Integrated Risk Management" course from 18-20 October, 2017 in Johannesburg, South Africa.
8. Mr. Johnson Maiketso attended a workshop on the "Review of the Revenue Sharing Arrangement, Stabilization Fund and Financing Mechanisms for Regional Infrastructure Projects and Industrialization during 19-20th October, 2017, South Africa.
9. Mr. Leo Isaacs attended a workshop on "Business Continuity Management during the period 13-17 November 2017, Johannesburg south Africa.
10. Mr. Marumo Omotoye attended the Open Budget Survey training workshop during 6-10 November, 2017, Cape Town, South Africa.
11. Mr. Isaac Modise and Ms. Keitumetse Nkacha attended training on the "Project Job Costing Module and Timesheet Master" during 23-27 October, 2017, South Africa.
12. Prof. Patrick Malope attended a benchmarking exercise on "Developing a Business Case and Guiding the Construction and Operation of Small Stock Abattoir" Tsabong, on the 25th November, 2017.

## Conferences

1. Prof. Eugene Kouassi presented a paper themed "Growth, Inequalities and Employment in Africa: Case of Botswana" at the 5th Congress of the African Economist during 1-4 November, 2017, in Malabo, Equatorial Guinea.

## Conferences/Seminars

1. Dr. Margaret Sengwaketse attended a seminar on "Implementation of the Regional Integration Agenda in SADC during 15-16 May, 2017 in Cape Town, South Africa.
2. Dr. Margaret Sengwaketse attended a brainstorming expert meeting on "Building Productive Capacities in Structurally Weak Developing Countries" organized by the United Nations Conference on Trade and Development (UNCTAD) during 29-30 June, 2017, Geneva, Switzerland.
3. Ms. Bangwe Siwawa-Moepeng attended a Chartered Global Management Accountant for Africa Conference themed Leading the Way in the VUCA World during 20-22 September 2017, Johannesburg, South Africa.

## Workshops

1. Prof. Patrick Malope attended a UNECA validation workshop on Fostering Sustainable Transformation of Agriculture in Africa Through Inclusive Green Economy

## Capacity Building Activities (cont...)

on the 21st November, 2017, Grand Palm Hotel, Gaborone.

2. Mr. Johnson Maiketso attended a workshop under the Trade Law Centre (TRALAC) on the 30th November, 2017 to 1st December, 2017 in Cape Town, South Africa.
3. Prof. Patrick Malope attended a workshop on the Tsabong Abattoir Task Team on the 30th January, 2018 in Tsabong.

### Publications

#### *BIDPA Working Paper Series*

1. Gaetsewe, T. (2018). Determinants of Self-Employment in Botswana. BIDPA Working Paper No 46.
2. Gaetsewe, T. (2018). Determinants of Informal Sector Business Success in Botswana. BIDPA Working Paper No 47.
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# Annual Financial Statements

FOR THE YEAR ENDED 31 MARCH 2018

## INDEX

|                                                                                                                 |         |
|-----------------------------------------------------------------------------------------------------------------|---------|
| Trustees' Responsibilities and Approval                                                                         | 25      |
| Independent Auditor's Report                                                                                    | 26 - 28 |
| Statement of Financial Position                                                                                 | 29      |
| Statement of Profit or Loss and Other Comprehensive Income                                                      | 30      |
| Statement of Changes in Funds                                                                                   | 31      |
| Statement of Cash Flows                                                                                         | 32      |
| Accounting Policies                                                                                             | 33 - 39 |
| Notes to the Annual Financial Statements                                                                        | 40 - 58 |
| The following supplementary information does not form part of the annual financial statements and is unaudited: |         |
| Detailed Income Statement                                                                                       | 59 - 60 |

# General Information

|                                     |                                                                                                                                                                                                                                                                     |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Country Of Incorporation & Domicile | Botswana                                                                                                                                                                                                                                                            |
| Nature & Principal Activities       | Botswana Institute for Development Policy Analysis (the "Institute") is an autonomous, non-governmental research Institute established by a trust deed (MA 16/95). It is involved in development policy analysis and capacity building in Botswana.                 |
| Trustees                            | Mr. A. Motsomi- Chairperson<br>Mr. K. Ndobano<br>Mr. P. Draper (Resigned February 2018)<br>Prof. P. M. Makepe<br>Ms. C. Ramalefo<br>Dr. R. M. Moatshe (Resigned September 2017)<br>Dr T. Sekambo<br>Mr. D. Molobe (Appointed November 2017)                         |
| Secretary                           | Dr T. B. Seleka                                                                                                                                                                                                                                                     |
| Business Address                    | BIDPA House<br>Plot 134<br>Millennium Office Park<br>Gaborone                                                                                                                                                                                                       |
| Bankers                             | Banc ABC Limited<br>Bank Gaborone Limited<br>Barclays Bank of Botswana Limited<br>Ecsponent Asset Management<br>First National Bank of Botswana Limited<br>Standard Chartered Bank Botswana Limited<br>Stanlib Investment Management Services (Proprietary) Limited |
| Auditors                            | Grant Thornton<br>Chartered Accountants<br>Member firm of Grant Thornton International Ltd                                                                                                                                                                          |
| Presentation Currency               | Botswana Pula (BWP)                                                                                                                                                                                                                                                 |

Annual Financial Statements  
for the year ended 31 March 2018

## Trustees' Responsibilities and Approval

The Trustees are required in terms of the Deed of Trust (MA 16/95) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Institute as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

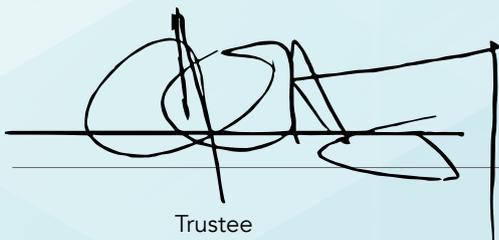
The Trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the Institute and place considerable importance on maintaining a strong control environment. To enable the Trustees to meet these responsibilities, the board of trustees sets standards 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 Institute and all employees are required to maintain the highest ethical standards in ensuring the Institute's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Institute is on identifying, assessing, managing and monitoring all known forms of risk across the Institute. While operating risk cannot be fully eliminated, the Institute endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Trustees have reviewed the Institute's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the Institute has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Institute's annual financial statements. The annual financial statements have been examined by the Institute's external auditors and their report is presented on pages 26 to 28.

The annual financial statements set out on pages 29 to 60, which have been prepared on the going concern basis, were approved by the board of trustees on 08/10/2018 and were signed on their behalf by:



Trustee



Trustee

# Independent Auditor’s Report

## To the Trustees of Botswana Institute for Development Policy

### Analysis opinion

We have audited the accompanying annual financial statements of Botswana Institute for Development Policy Analysis set out on pages 29 to 60, which comprise the statement of financial position as at 31 March, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements give a true and fair view of, the financial position of Botswana Institute for Development Policy Analysis as at 31 March, 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for opinion

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

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and the report below is not intended to constitute separate opinions on those key audit matters.

| Key audit matter                                                                                                                                                     | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Operating Expenses</b><br/>The operations of the entity are supported by significant expenditure relating to administration, operations and payroll costs.</p> | <p>Our procedures included testing the appropriateness of the application of the procurement procedures and verifying expenditure to supporting documents, on a sample basis.</p> <p>We also obtained an understanding of and tested the relevant controls in place to evaluate the procurement procedures put in place by management.</p>                                                                                                           |
|                                                                                                                                                                      | <p>We verified the existence of employees by performing procedures such as verification of appropriate identity documents, examination of employee files, contracts and other terms of employment. We also verified if the payroll information was updated with information from the employee files.</p> <p>We obtained sufficient and appropriate audit evidence to conclude that operating expenses and payroll costs have not been misstated.</p> |

# Independent Auditor's Report

To the Board of Trustees of Botswana Institute for Development Policy

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                 | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Government subventions</b><br/>The Entity is supported by Government Subventions for their operational and capital expenditure. These amounts are granted by the government based on the budgets submitted after appropriate rationalisation. Government subventions are recognised in line with requirements of IAS 20. Due to the significance of the amounts involved, this matter is considered key for the audit.</p> | <p>We obtained schedules of all government subventions, agreed the information to the accounting records and also obtained confirmations from the respective ministry in the government.</p> <p>We have also determined compliance to the requirements of IAS 20 for recognition and measurement of the government subventions. We have obtained sufficient and appropriate audit evidence to conclude that subventions recognized as Grant Income are not misstated.</p> |

## Responsibilities of the Trustees for the Annual Financial Statements

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

In preparing the annual financial Statements, the Trustees are responsible for assessing the Institute'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 council members either intend to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

## Auditor's responsibilities for the audit of the Annual Financial Statements

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

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.

# Independent Auditor's Report

## To the Board of Trustees of Botswana Institute for Development Policy

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees 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 Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees 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.

We also provide the Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Trustees, we determine those matters that were of most significance in the audit of the annual financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Grand Thobane*

12 OCT 2018

Chartered Accountants  
Certified Auditor: Mr. Madhavan Venkatachary (Memb No: 20030049)  
Certified Auditor of Public Interest Entity  
Certificate Number: CAP 0017 2018

Gaborone

Annual Financial Statements  
for the year ended 31 March 2018

## Statement of Financial Position

| Figures in Pula                     | Note | 2018              | 2017<br>Restated  | 2016<br>Restated  |
|-------------------------------------|------|-------------------|-------------------|-------------------|
| <b>Assets</b>                       |      |                   |                   |                   |
| <b>Non-Current Assets</b>           |      |                   |                   |                   |
| Property, plant and equipment       | 3    | 14,762,213        | 15,938,922        | 15,080,706        |
| <b>Current Assets</b>               |      |                   |                   |                   |
| Financial assets                    | 4    | 22,555,630        | 17,558,852        | 13,904,041        |
| Project work in progress            | 5    | 116,971           | 245,571           | -                 |
| Trade and other receivables         | 6    | 2,125,657         | 3,079,135         | 846,204           |
| Cash and cash equivalents           | 7    | 5,794,976         | 6,955,412         | 13,401,437        |
|                                     |      | <u>30,593,234</u> | <u>27,838,970</u> | <u>28,151,682</u> |
| <b>Total Assets</b>                 |      | <b>45,355,447</b> | <b>43,777,892</b> | <b>43,232,388</b> |
| <b>Equity and Liabilities</b>       |      |                   |                   |                   |
| <b>Equity</b>                       |      |                   |                   |                   |
| Reserves                            |      | 13,873,240        | 14,175,217        | 14,238,267        |
| Accumulated surplus                 |      | 18,653,123        | 17,576,439        | 12,835,529        |
|                                     |      | <u>32,526,363</u> | <u>31,751,656</u> | <u>27,073,796</u> |
| <b>Liabilities</b>                  |      |                   |                   |                   |
| <b>Non-Current Liabilities</b>      |      |                   |                   |                   |
| Grants related to assets            | 8    | 530,991           | 1,291,212         | 610,320           |
| <b>Current Liabilities</b>          |      |                   |                   |                   |
| Trade and other payables            | 9    | 5,917,087         | 6,002,431         | 12,082,621        |
| Deferred Income                     | 10   | 6,381,006         | 4,732,593         | 3,465,651         |
|                                     |      | <u>12,298,093</u> | <u>10,735,024</u> | <u>15,548,272</u> |
| <b>Total Liabilities</b>            |      | <b>12,829,084</b> | <b>12,026,236</b> | <b>16,158,592</b> |
| <b>Total Equity and Liabilities</b> |      | <b>45,355,447</b> | <b>43,777,892</b> | <b>43,232,388</b> |

Annual Financial Statements  
for the year ended 31 March 2018

## Statement of Profit or Loss and Other Comprehensive Income

| <b>Figures in Pula</b>                                  | <b>Note</b> | <b>2018</b>    | <b>2017</b>      |
|---------------------------------------------------------|-------------|----------------|------------------|
| Revenue                                                 | 11          | 5,532,319      | 7,613,271        |
| Grant income                                            | 12          | 19,752,588     | 18,673,720       |
| Other operating income                                  | 13          | 866,191        | 1,074,790        |
| Other operating gains                                   | 14          | (117,182)      | (134,320)        |
| Other operating expenses                                |             | (25,788,761)   | (23,229,162)     |
| <b>Operating surplus</b>                                | 15          | 245,155        | 3,998,299        |
| Finance income                                          | 17          | 768,479        | 679,561          |
| Surplus for the year                                    |             | 1,013,634      | 4,677,860        |
| <b>Other comprehensive income:</b>                      |             |                |                  |
| Items that will not be reclassified to profit or loss:  |             |                |                  |
| Deficits on property revaluation                        |             | -              | (238,927)        |
| Other comprehensive income for the year net of taxation |             | (238,927)      | -                |
| <b>Total comprehensive income for the year</b>          |             | <b>774,707</b> | <b>4,677,860</b> |

Annual Financial Statements  
for the year ended 31 March 2018

## Statement of Changes in Funds

|                                                                                                    | Revaluation<br>Reserve | Capital<br>Grant | Total<br>Reserves | Accumulated<br>Surplus | Total Funds<br>Reserves |
|----------------------------------------------------------------------------------------------------|------------------------|------------------|-------------------|------------------------|-------------------------|
| <b>Figures in Pula</b>                                                                             |                        |                  |                   |                        |                         |
| Opening balance as previously reported                                                             | 11,968,456             | 2,269,811        | 14,238,267        | 11,512,323             | 25,750,590              |
| Adjustments                                                                                        |                        |                  |                   |                        |                         |
| Prior period error                                                                                 | -                      | -                | -                 | 1,323,206              | 1,323,206               |
| Balance at 01 April 2016 as restated                                                               | 11,968,456             | 2,269,811        | 14,238,267        | 12,835,529             | 27,073,796              |
| Surplus for the year                                                                               | -                      | -                | -                 | 4,677,860              | 4,677,860               |
| Other comprehensive income                                                                         | -                      | -                | -                 | -                      | -                       |
| <b>Total comprehensive income for the year</b>                                                     | -                      | -                | -                 | <b>4,677,860</b>       | <b>4,677,860</b>        |
| Transfer between reserves                                                                          | -                      | -                | -                 | 63,050                 | 63,050                  |
| Amortisation of capital grants                                                                     | -                      | (63,050)         | (63,050)          | -                      | (63,050)                |
| <b>Total contributions by and distributions to owners of company recognised directly in equity</b> | -                      | <b>(63,050)</b>  | <b>(63,050)</b>   | <b>63,050</b>          | -                       |
| Balance at 01 April 2017                                                                           | 11,968,456             | 2,206,761        | 14,175,217        | 17,576,439             | 31,751,656              |
| Surplus for the year                                                                               | -                      | -                | -                 | 1,013,634              | 1,013,634               |
| Other comprehensive income                                                                         | (238,927)              | -                | (238,927)         | -                      | (238,927)               |
| <b>Total comprehensive income for the year</b>                                                     | <b>(238,927)</b>       | -                | <b>(238,927)</b>  | <b>1,013,634</b>       | <b>774,707</b>          |
| Transfer between reserves                                                                          | -                      | -                | -                 | 63,050                 | 63,050                  |
| Amortisation of capital grants                                                                     | -                      | (63,050)         | (63,050)          | -                      | (63,050)                |
| <b>Total contributions by and distributions to owners of company recognised directly in equity</b> | -                      | <b>(63,050)</b>  | <b>(63,050)</b>   | <b>63,050</b>          | -                       |
| Balance at 31 March 2018                                                                           | 11,729,529             | 2,143,711        | 13,873,240        | 18,653,123             | 32,526,363              |

### Note

The Institute's capital grant is made up of the value of building and land determined at the time of establishment of the institute in 1995. These grants did not carry any terms of repayment and ownership vests with the Institute until such time as decided by the government. Subsequently grants received for purchase of capital assets have been disclosed under Grants related to assets/ Deferred Income

Annual Financial Statements  
for the year ended 31 March 2018

## Statement of Cash Flows

| Figures in Pula                                           | Note | 2018               | 2017               |
|-----------------------------------------------------------|------|--------------------|--------------------|
| Cash flows from operating activities                      |      |                    |                    |
| Cash generated from operations                            | 19   | 1,373,650          | (3,664,790)        |
| Finance income                                            |      | 768,479            | 679,561            |
| <b>Net cash from operating activities</b>                 |      | <b>2,142,129</b>   | <b>(2,985,229)</b> |
| Cash flows from investing activities                      |      |                    |                    |
| Purchase of property, plant and equipment                 | 3    | (98,999)           | (1,559,338)        |
| Sale of property, plant and equipment                     |      | 45,800             | -                  |
| Net cash utilised to acquire financial assets             |      | (4,996,778)        | (3,654,811)        |
| <b>Net cash from investing activities</b>                 |      | <b>(5,049,977)</b> | <b>(5,214,149)</b> |
| Cash flows from financing activities                      |      |                    |                    |
| Capital grants received during the year                   |      | 1,747,412          | 1,753,353          |
| Total cash and cash equivalents movement for the year     |      | (1,160,436)        | (6,446,025)        |
| Cash and cash equivalents at the beginning of the year    |      | 6,955,412          | 13,401,437         |
| <b>Total cash and cash equivalents at end of the year</b> | 7    | <b>5,794,976</b>   | <b>6,955,412</b>   |

Annual Financial Statements  
for the year ended 31 March 2018

# Accounting Policies

## 1. Presentation of Annual Financial Statements

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

These accounting policies are consistent with the previous period.

### 1.1 Significant judgements and sources of estimation uncertainty

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

#### Key sources of estimation uncertainty

##### Trade and other receivables

The Institute assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the institute makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Impairment testing

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

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

Annual Financial Statements  
for the year ended 31 March 2018

## Accounting Policies *(continued)*

### 1.1 Significant judgements and sources of estimation uncertainty *(continued)*

#### Useful lives of property, plant and equipment

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

#### Provisions

Provisions are raised and management determines an estimate based on the information available.

### 1.2 Property, plant and equipment

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

- It is probable that future economic benefits associated with the item will flow to the Institute; and
- The cost of the item can be measured reliably. Property and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognised.

Items of property and equipment are carried at cost less accumulated depreciation and any estimated losses except for motor vehicles, land and buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit and loss, a revaluation increase is credited to profit and loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss.

The revaluation surplus in equity related to a specific item of property and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

| Item                   | Depreciation Method | Average Useful Life |
|------------------------|---------------------|---------------------|
| Land                   | Straight line       | 99 years            |
| Buildings              | Straight line       | 40 years            |
| Household Furniture    | Straight line       | 5 years             |
| Furniture and fixtures | Straight line       | 10 years            |
| Motor vehicles         | Straight line       | 4 years             |
| IT equipment           | Straight line       | 4 years             |
| Office equipment       | Straight line       | 5 years             |
| Library books          | Straight line       | 2 years             |

Annual Financial Statements  
for the year ended 31 March 2018

## Accounting Policies *(continued)*

### 1.2 Property, plant and equipment (continued)

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

The depreciation charge for each year is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.3 Financial instruments

#### Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

#### Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

#### Derecognition

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

Annual Financial Statements  
for the year ended 31 March 2018

## Accounting Policies *(continued)*

### 1.3 Financial instruments (continued)

#### Trade and other receivables

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

**Trade and other receivables are classified as loans and receivables.**

#### Trade and other payables

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

#### Cash and cash equivalents

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

### 1.4 Impairment of assets

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

Irrespective of whether there is any indication of impairment, the Institute also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

Annual Financial Statements  
for the year ended 31 March 2018

## Accounting Policies *(continued)*

### 1.4 Impairment of assets *(continued)*

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

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

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

### 1.5 Tax

#### Current tax assets and liabilities

The institute does not generate any taxable income as its operations are fully supported by funding from Government.

#### Tax expenses

The Institute is exempt from paying income tax as per the provisions of the Income Tax Act (Cap 52: 01).

### 1.6 Employee benefits

#### Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Provision is made for severance benefit as required in terms of Botswana's Labour laws or terminal service gratuity. Costs incurred herein are recognised in profit or loss in the period in which they are incurred.

Annual Financial Statements  
for the year ended 31 March 2018

## Accounting Policies *(continued)*

### 1.7 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

### 1.8 Government grants

Government grants are recognised when there is reasonable assurance that:

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

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or deficits already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

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

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

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

Annual Financial Statements  
for the year ended 31 March 2018

## Accounting Policies *(continued)*

### 1.9 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Institute;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of discounts and value added tax.

### 1.10 Translation of foreign currencies

#### Foreign currency transactions

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

At the end of the reporting period:

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

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

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

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

Annual Financial Statements  
for the year ended 31 March 2018

# Notes to the Annual Financial Statements

## 2. New Standards and Interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

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

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The Institute has adopted the amendment for the first time in the 2018 annual financial statements. The impact of the amendment is not material.

### 2.2 Standards and interpretations not yet effective

The Institute has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Institute's accounting periods beginning on or after 01 April 2018 or later periods:

#### IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Institute are as follows:

Institute as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.

Annual Financial Statements  
for the year ended 31 March 2018

## Notes to the Annual Financial Statements *(continued)*

### 2. New Standards and Interpretations *(continued)*

- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in surplus or deficit.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in surplus or deficit. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Institute as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

Annual Financial Statements  
for the year ended 31 March 2018

# Notes to the Annual Financial Statements *(continued)*

## 2. New Standards and Interpretations (continued)

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessee accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16.
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessee recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The Institute expects to adopt the standard for the first time in the 2020 annual financial statements.

It is unlikely that the standard will have a material impact on the Institute's annual financial statements.

## IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

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

Annual Financial Statements  
for the year ended 31 March 2018

## Notes to the Annual Financial Statements *(continued)*

### **2. New Standards and Interpretations (continued)**

- With regard to the measurement of financial liabilities designated as at fair value through surplus or deficit, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in surplus or deficit. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through surplus or deficit is presented in surplus or deficit.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

### **IFRS 15 Revenue from Contracts with Customers**

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

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

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 also includes extensive new disclosure requirements.

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

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

Annual Financial Statements  
for the year ended 31 March 2018

## Notes to the Annual Financial Statements *(continued)*

Figures in Pula

### 3. Property, Plant and Equipment

|                        | Cost/<br>Valuation | 2018<br>Accumulated<br>Depreciation | Carrying<br>Value | Cost              | 2017<br>Accumulated<br>Depreciation | Carrying<br>Value |
|------------------------|--------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|-------------------|
| Land and Buildings     | 12,675,000         | -                                   | 12,675,000        | 13,868,601        | (193,852)                           | 13,674,749        |
| Furniture and fixtures | 654,229            | (597,127)                           | 57,102            | 883,468           | (798,795)                           | 84,673            |
| Motor vehicles         | 1,387,878          | -                                   | 1,387,878         | 1,661,068         | (319,701)                           | 1,341,367         |
| Office equipment       | 599,711            | (422,691)                           | 177,020           | 825,591           | (591,306)                           | 234,285           |
| Computer software      | 944,866            | (488,497)                           | 456,369           | 2,036,566         | (1,452,575)                         | 583,991           |
| Library books          | 620,274            | (611,430)                           | 8,844             | 617,915           | (598,058)                           | 19,857            |
| <b>Total</b>           | <b>16,881,958</b>  | <b>(2,119,745)</b>                  | <b>14,762,213</b> | <b>19,893,209</b> | <b>(3,954,287)</b>                  | <b>15,938,922</b> |

Annual Financial Statements  
for the year ended 31 March 2018

## Notes to the Annual Financial Statements *(continued)*

### Figures in Pula

### 3. Property, Plant and Equipment *(continued)*

#### Reconciliation of Property, Plant and Equipment 2018

|                                                        | Lands &<br>Buildings | Furniture<br>& Fixtures | Motor<br>Vehicles | Office<br>Equipment | Computer<br>Software | Library<br>Books | Total             |
|--------------------------------------------------------|----------------------|-------------------------|-------------------|---------------------|----------------------|------------------|-------------------|
| Cost of revaluation                                    | 12,675,000           | 654,229                 | 1,387,878         | 599,711             | 944,866              | 620,274          | 16,881,958        |
| Accumulated depreciation<br>and impairment             | -                    | (597,127)               | -                 | (422,691)           | (488,497)            | (611,430)        | (2,119,745)       |
| <b>Net book value at 31<br/>March 2018</b>             | <b>12,675,000</b>    | <b>57,102</b>           | <b>1,387,878</b>  | <b>177,020</b>      | <b>456,369</b>       | <b>8,844</b>     | <b>14,762,213</b> |
| <b>Net book value at the<br/>beginning of the year</b> | <b>13,674,749</b>    | <b>84,673</b>           | <b>1,341,367</b>  | <b>234,285</b>      | <b>583,991</b>       | <b>19,857</b>    | <b>15,938,922</b> |
| Additions                                              | -                    | 4,723                   | -                 | 30,257              | 61,659               | 2,360            | 98,999            |
| Disposals                                              | -                    | (5,311)                 | (16,464)          | -                   | (2,019)              | -                | (23,794)          |
| Revaluations                                           | (715,670)            | -                       | 476,743           | -                   | -                    | -                | (238,927)         |
| Depreciation                                           | (284,079)            | (26,983)                | (413,768)         | (187,262)           | (187,262)            | (13,373)         | (1,012,987)       |
|                                                        | <b>12,675,000</b>    | <b>57,102</b>           | <b>1,387,878</b>  | <b>456,369</b>      | <b>456,369</b>       | <b>8,844</b>     | <b>14,762,213</b> |

Annual Financial Statements  
for the year ended 31 March 2018

## Notes to the Annual Financial Statements *(continued)*

### Figures in Pula

### 3. Property, Plant and Equipment *(continued)*

#### Reconciliation of Property, Plant and Equipment 2017

|                                                        | Lands &<br>Buildings | Furniture<br>& Fixtures | Motor<br>Vehicles | Office<br>Equipment | Computer<br>Software | Library<br>Books | Total             |
|--------------------------------------------------------|----------------------|-------------------------|-------------------|---------------------|----------------------|------------------|-------------------|
| Cost of revaluation                                    | 13,686,600           | 751,182                 | 751,679           | 599,105             | 1,216,104            | 590,776          | 17,777,446        |
| Accumulated depreciation<br>and impairment             | -                    | (659,716)               | -                 | (447,851)           | (999,244)            | (589,930)        | (2,696,741)       |
| <b>Net book value at<br/>01 April 2016</b>             | <b>13,868,600</b>    | <b>91,466</b>           | <b>751,679</b>    | <b>151,254</b>      | <b>216,860</b>       | <b>846</b>       | <b>15,080,705</b> |
| <b>Net book value at the<br/>beginning of the year</b> | <b>13,868,600</b>    | <b>91,466</b>           | <b>751,679</b>    | <b>151,254</b>      | <b>216,860</b>       | <b>846</b>       | <b>15,080,705</b> |
| Additions                                              | -                    | 10,512                  | 909,330           | 134,806             | 477,522              | 27,138           | 1,599,338         |
| Depreciation                                           | (193,851)            | (17,305)                | (319,642)         | (51,775)            | (110,421)            | (8,127)          | (701,121)         |
|                                                        | <b>(13,674,749)</b>  | <b>84,673</b>           | <b>1,341,367</b>  | <b>234,285</b>      | <b>583,991</b>       | <b>19,857</b>    | <b>15,938,922</b> |

Land and building consist of a certain piece of land, being portion 134 of the Farm Forest hill No. 9-KO measuring 1554 square meters held under a title deed MA56/2003 dated 01 March 2003 for a 99 year period commencing 01 March 2003.

The effective date of the revaluations of Land and Buildings was 14 May 2018. Revaluations were performed by an independent value, Mr. David Watson (BSc Hons, MRICS), of Knight Frank. The land and buildings were valued at P12 675 000 representing the open market value arrived at using discounted cash flow method. The capitalization rate used was 9%. Inspection of the properties were conducted during the valuation.

In the prior year the disclosure note in property plant and equipment incorrectly stated the revalued amount of buildings as P 9 692 601 and land as P 4 176 000.

Annual Financial Statements  
for the year ended 31 March 2018

## Notes to the Annual Financial Statements *(continued)*

### Figures in Pula

|                                                                                                                                                                                                                        | 2018              | 2017              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>4. Financial assets</b>                                                                                                                                                                                             |                   |                   |
| <b>Money market investments</b>                                                                                                                                                                                        | 5,612,085         | 5,450,966         |
| Stanlib Investment management services                                                                                                                                                                                 |                   |                   |
| The fair value of the investments in money market funds are based on the valuation of units provided by the fund manager. The fund manager's valuation is based on market value of the underlying assets of each fund. |                   |                   |
| Fixed Deposits                                                                                                                                                                                                         |                   |                   |
| Bank Gaborone Limited                                                                                                                                                                                                  | 8,528,448         | 8,191,390         |
| African Banking Corporation of Botswana Limited                                                                                                                                                                        | 5,001,562         | 760,296           |
| Ecsponent Asset Management Company                                                                                                                                                                                     | 3,413,535         | 3,156,200         |
| These short-term investments carry interest at 2018: 3.75%, 3.80% and 5.0% per annum respectively (2017: 3.85%, 3.5% and 5.0%)                                                                                         |                   |                   |
|                                                                                                                                                                                                                        | 16,943,545        | 12,107,886        |
| <b>Total other financial assets</b>                                                                                                                                                                                    | <b>22,555,630</b> | <b>17,558,852</b> |
| <b>Current assets</b>                                                                                                                                                                                                  |                   |                   |
| Money market investments                                                                                                                                                                                               | 5,612,085         | 5,450,966         |
| Fixed deposits                                                                                                                                                                                                         | 16,943,545        | 12,107,886        |
|                                                                                                                                                                                                                        | 22,555,630        | 17,558,852        |
| <b>5. Project work in progress</b>                                                                                                                                                                                     |                   |                   |
| Unbilled revenue                                                                                                                                                                                                       | 116,971           | 245,571           |
| Project revenue is recognised according to the stage of completion at the end of the reporting period. The Institute measures the percentage of completion using the efforts-expended method.                          |                   |                   |
| <b>6. Trade and other receivables</b>                                                                                                                                                                                  |                   |                   |
| Trade receivables                                                                                                                                                                                                      | 1,758,813         | 2,611,281         |
| Employee costs in advance                                                                                                                                                                                              | 30,436            | 149,329           |
| Prepayments                                                                                                                                                                                                            | 234,751           | 5,254             |
| Deposits                                                                                                                                                                                                               | 8,000             | 8,000             |
| Value added tax                                                                                                                                                                                                        | -                 | 5,089             |
| Other receivable                                                                                                                                                                                                       | 93,657            | 300,182           |
|                                                                                                                                                                                                                        | <b>2,125,657</b>  | <b>3,079,135</b>  |

### Credit quality of trade and other receivables

The credit quality of trade receivables that are neither past nor due nor impaired can be assessed as good since most of these are non-governmental organisations with adequate support from their respective governments.

Annual Financial Statements  
for the year ended 31 March 2018

# Notes to the Annual Financial Statements *(continued)*

## Figures in Pula

2018 2017

### 6. Trade and other receivables (continued)

#### Fair value of trade and other receivables

The carrying amount of trade and other receivables approximates their fair value.

#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2018, P 137,781 (2017: P 290,044) were past due but not impaired.

|                  |         |         |
|------------------|---------|---------|
| 91 days and over | 137,781 | 290,044 |
|------------------|---------|---------|

#### Trade and other receivables impaired

As of 31 March 2018, trade and other receivables of P 288,650 (2017: P Nil) were impaired and provided for.

The amount of the provision was P (288,650) as of 31 March 2018 (2017: P Nil).

The ageing of these loans is as follows:

|               |         |   |
|---------------|---------|---|
| Over 6 months | 288,650 | - |
|---------------|---------|---|

### Reconciliation of provision for impairment of trade and other receivables

|                          |         |   |
|--------------------------|---------|---|
| Provision for impairment | 288,650 | - |
|--------------------------|---------|---|

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

|               |                  |                  |
|---------------|------------------|------------------|
| Cash on hand  | 4,000            | 4,000            |
| Bank balances | 5,790,976        | 6,951,412        |
|               | <b>5,794,976</b> | <b>6,955,412</b> |

Bank balances include amount of P 124 861 (2017: P152 787) and P Nil (2017: P2 694) held on behalf of Vision 2036 and Technical Assistance Project respectively. These projects are currently administered by Botswana Institute for Development Policy Analysis. These balances are represented as follows:

|                              |         |         |
|------------------------------|---------|---------|
| Vision 2036 Funds            | 124,861 | 152,787 |
| Technical Assistance Project | -       | 2,694   |

Annual Financial Statements  
for the year ended 31 March 2018

# Notes to the Annual Financial Statements *(continued)*

| Figures in Pula                      | 2018      | 2017      |
|--------------------------------------|-----------|-----------|
| <b>8. Grants related to assets</b>   |           |           |
| Balance at the beginning of the year | 1,291,212 | 610,319   |
| Received during the year             | 98,998    | 1,114,125 |
| Released to income statement         | (859,219) | (433,232) |
|                                      | 530,991   | 1,291,212 |

The Institute receives grants from the Government based on the budget approved by the Board of Trustees and the Ministry of Finance and Economic Development.

## 9. Trade and other payables

|                   |           |           |
|-------------------|-----------|-----------|
| Trade payables    | 209,451   | 671,052   |
| Value added tax   | 5,174     | -         |
| Vision 2036 funds | 124,861   | 152,787   |
| Accrued leave pay | 851,425   | 710,140   |
| Gratuity accrual  | 4,497,239 | 4,019,614 |
| Other payables    | 228,937   | 448,838   |
|                   | 5,917,087 | 6,002,431 |

### Fair value of trade and other payables

The carrying amount of trade and other payables approximates its fair value.

## 10. Deferred Income

Deferred income represent amounts received by the Institute towards specific projects including renovations of the building. These grants were pooled together in "Capital grants" under reserves and partly under trade and other payables in earlier years. To depict the actual position of these grants, the organisation has retrospectively restated the amount since year end 31 March 2016. More information is given on note 21.

|                                      |           |             |
|--------------------------------------|-----------|-------------|
| Balance at the beginning of the year | 4,732,593 | 3,465,651   |
| Received during the year             | 1,747,412 | 2,826,280   |
| Transfer to capital grant            | (98,999)  | (1,559,338) |
|                                      | 6,381,006 | 4,732,593   |

## 11. Revenue

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Income earned from research projects | 5,532,319 | 7,613,271 |
|--------------------------------------|-----------|-----------|

## 12. Grant income

|                        |            |            |
|------------------------|------------|------------|
| Government of Botswana | 19,752,588 | 18,673,720 |
|------------------------|------------|------------|

Annual Financial Statements  
for the year ended 31 March 2018

## Notes to the Annual Financial Statements *(continued)*

| Figures in Pula                                                            | 2018             | 2017               |
|----------------------------------------------------------------------------|------------------|--------------------|
| <b>18. Taxation</b>                                                        |                  |                    |
| No provision has been made for tax as the Institute has no taxable income. |                  |                    |
| <b>19. Cash generated from operations</b>                                  |                  |                    |
| Surplus before taxation                                                    | 1,013,634        | 4,677,860          |
| <b>Adjustments for:</b>                                                    |                  |                    |
| Depreciation and amortisation                                              | 1,012,987        | 701,121            |
| Gains on disposals of assets                                               | (22,006)         | -                  |
| Finance income                                                             | (768,479)        | (679,561)          |
| Work in progress                                                           | 128,600          | (245,571)          |
| Amortisation of capital grant                                              | (859,164)        | (878,445)          |
| <b>Changes in working capital:</b>                                         |                  |                    |
| Trade and other receivables                                                | 953,478          | (2,232,931)        |
| Trade and other payables                                                   | (85,400)         | (5,007,263)        |
|                                                                            | <b>1,373,650</b> | <b>(3,664,790)</b> |

Annual Financial Statements  
for the year ended 31 March 2018

# Notes to the Annual Financial Statements *(continued)*

| <b>Figures in Pula</b>                                                                | <b>2018</b>                                      | <b>2017</b>      |
|---------------------------------------------------------------------------------------|--------------------------------------------------|------------------|
| <b>20. Related parties</b>                                                            |                                                  |                  |
| Relationships                                                                         |                                                  |                  |
| Entities with significant influence                                                   | Government of Botswana                           |                  |
| Projects controlled by the institute                                                  | Technical Assistance Project                     |                  |
| Board of Trustees                                                                     | Mr. A.M. Motsomi (Chairperson)                   |                  |
|                                                                                       | Mr. K. Ndobano                                   |                  |
|                                                                                       | Mr. P. Draper (Resigned February 2018)           |                  |
|                                                                                       | Prof. P.M. Makepe                                |                  |
|                                                                                       | Ms. C. Ramalefo                                  |                  |
|                                                                                       | Dr. R.M Moatshe (Resigned September 2017)        |                  |
|                                                                                       | Dr. T. Sekambo                                   |                  |
|                                                                                       | Mr. D. Molobe (Appointed November 2017)          |                  |
| Members of key management                                                             | Dr. T. B. Seleka (Executive Director)            |                  |
|                                                                                       | Prof P. Malope (Senior Research Fellow)          |                  |
|                                                                                       | Prof. E. Kouassi                                 |                  |
|                                                                                       | Ms. B. N. Siwawa Moepeng (Finance Administrator) |                  |
|                                                                                       | Mr. L. Isaacs (IT Manager)                       |                  |
|                                                                                       | Mr. J. Seanego (Chief Librarian)                 |                  |
|                                                                                       | Ms. Boitumelo Wadikonyana (Human Resource)       |                  |
| <b>Related party balances</b>                                                         |                                                  |                  |
| <b>Amounts included in (trade payable) trade receivable regarding related parties</b> |                                                  |                  |
| Technical Assistance Project                                                          | 66,163                                           | (2,694)          |
| <b>Related party transactions</b>                                                     |                                                  |                  |
| <b>Grant received from related parties</b>                                            |                                                  |                  |
| Government of Botswana                                                                | 21,500,000                                       | 21,500,000       |
| <b>Board transactions</b>                                                             |                                                  |                  |
| Board sitting fees and expenses                                                       | 222,301                                          | 213,472          |
| <b>Administration fees received from related parties</b>                              |                                                  |                  |
| Technical Assistance Project                                                          | (276,916)                                        | (389,952)        |
| <b>Key management remuneration</b>                                                    |                                                  |                  |
| Remuneration paid                                                                     | 5,415,714                                        | 6,127,243        |
| Other long term employee benefits                                                     | 1,067,029                                        | 2,173,907        |
|                                                                                       | <b>6,482,743</b>                                 | <b>8,301,150</b> |

Annual Financial Statements  
for the year ended 31 March 2018

# Notes to the Annual Financial Statements *(continued)*

## 21. Prior period errors

The Institute receives funds from its parent ministry for the purchase of capital assets such as property, plant and equipment based on budgets approved by the board of Trustees. Since no conditions of repayment were attached to these grants, the Institute had treated the amounts so received as "Capital Grant" and classified these as equity.

To align with requirements of IAS 20 on non-monetary assets, the institute has reclassified the amounts recognised as Capital grants to Grants related to assets/ Deferred Income under liabilities.

Further the Institute also had not amortised the appropriate portion of "depreciation" on revalued assets to the income statement including disposed assets. This had caused a variation between the net book value of assets acquired out of grants and the carrying value reported under "Capital Grants". This error has also been retrospectively corrected since 31 March 2016.

| <b>Statement of Financial Position<br/>2016</b>           | <b>Initial<br/>Balance</b> | <b>Adjustment</b> | <b>Restated</b>   |
|-----------------------------------------------------------|----------------------------|-------------------|-------------------|
| Property, plant and equipment                             | 15,080,706                 | -                 | 15,080,706        |
| Trade and other receivables                               | 846,204                    | -                 | 846,204           |
| Other financial assets                                    | 13,904,041                 | -                 | 13,904,041        |
| Cash and cash equivalents                                 | 13,401,437                 | -                 | 13,401,437        |
|                                                           | <b>43,232,388</b>          | <b>-</b>          | <b>43,232,388</b> |
| Statement of Financial Position<br>Equity and Liabilities |                            |                   |                   |
| Reserves                                                  | 13,991,034                 | 247,233           | 14,238,267        |
| Accumulated surplus                                       | 14,158,735                 | (1,323,206)       | 12,835,529        |
| Capital grant                                             | -                          | 610,320           | 610,320           |
| Deferred income and unutilised capital grant              | -                          | 3,465,651         | 3,465,651         |
| Trade and other payables                                  | 15,082,619                 | (2,999,998)       | 12,082,621        |
|                                                           | <b>43,232,388</b>          | <b>-</b>          | <b>43,232,388</b> |

Annual Financial Statements  
for the year ended 31 March 2018

# Notes to the Annual Financial Statements *(continued)*

## 21. Prior period errors (continued)

| <b>Statement of Comprehensive Income 2016</b> | <b>Initial<br/>Balance</b> | <b>Adjustment</b>  | <b>Restated</b>   |
|-----------------------------------------------|----------------------------|--------------------|-------------------|
| Revenue                                       | 4,540,143                  | -                  | 4,540,143         |
| Grant income                                  | 17,778,000                 | -                  | 17,778,000        |
| Other operating income                        | 1,275,301                  | (1,323,205)        | (47,904)          |
| Other operating gains                         | 202,516                    | -                  | 202,516           |
| Other operating expenses                      | (21,599,719)               | -                  | (21,599,719)      |
| Finance income                                | 515,411                    | -                  | 515,411           |
|                                               | <b>2,711,652</b>           | <b>(1,323,205)</b> | <b>1,388,447</b>  |
| <b>Statement of Financial Position 2017</b>   |                            |                    |                   |
| Property, plant and equipment                 | 15,938,922                 | -                  | 15,938,922        |
| Trade and other receivables                   | 3,079,135                  | -                  | 3,079,135         |
| Other financial assets                        | 17,558,852                 | -                  | 17,558,852        |
| Project work in progress                      | 245,571                    | -                  | 245,571           |
| Cash and cash equivalents                     | 6,955,412                  | -                  | 6,955,412         |
|                                               | <b>43,777,892</b>          | <b>-</b>           | <b>43,777,892</b> |
| <b>Statement of Financial Position 2017</b>   |                            |                    |                   |
| Reserves                                      | 14,238,267                 | (63,050)           | 14,175,217        |
| Accumulated surplus                           | 18,634,683                 | (1,058,245)        | 17,576,438        |
| Capital grant                                 | 169,918                    | 1,121,294          | 1,291,212         |
| Deferred income and unutilised capital grant  | 4,732,593                  | -                  | 4,732,593         |
| Trade and other payables                      | 6,002,431                  | 1                  | 6,002,432         |
|                                               | <b>43,777,892</b>          | <b>-</b>           | <b>43,777,892</b> |
| <b>Statement of Comprehensive Income 2017</b> |                            |                    |                   |
| Revenue                                       | 7,613,271                  | -                  | 7,613,271         |
| Grant income                                  | 18,673,720                 | -                  | 18,673,720        |
| Other operating income                        | 872,880                    | 201,910            | 1,074,790         |
| Other operating gains                         | (134,320)                  | -                  | (134,320)         |
| Other operating expenses                      | (23,229,163)               | -                  | (23,229,163)      |
| Finance income                                | 679,561                    | -                  | 679,561           |
|                                               | <b>4,475,949</b>           | <b>201,910</b>     | <b>4,677,859</b>  |

Annual Financial Statements  
for the year ended 31 March 2018

## Notes to the Annual Financial Statements *(continued)*

### 22. Categories of Financial Instruments

|                                                              | Note | Financial<br>Assets<br>At Fair<br>Value<br>Through<br>Profit (Loss) | Loans &<br>Receivables | Financial<br>Liabilities At<br>Amortised<br>Cost | Equity &<br>Non Financial<br>Assets &<br>Liabilities | Total             |
|--------------------------------------------------------------|------|---------------------------------------------------------------------|------------------------|--------------------------------------------------|------------------------------------------------------|-------------------|
| <b>Categories of financial instruments - 2018</b>            |      |                                                                     |                        |                                                  |                                                      |                   |
| <b>Assets</b>                                                |      |                                                                     |                        |                                                  |                                                      |                   |
| <b>Non-Current Assets</b>                                    |      |                                                                     |                        |                                                  |                                                      |                   |
| Property, plant and equipment                                | 3    | -                                                                   | -                      | -                                                | 14,762,213                                           | 14,762,213        |
| Current Assets                                               |      |                                                                     |                        |                                                  |                                                      |                   |
| Trade and other receivables                                  | 6    | -                                                                   | 1,860,470              | -                                                | 265,187                                              | 2,125,657         |
| Financial assets                                             | 4    | 5,612,085                                                           | -                      | -                                                | 16,943,545                                           | 22,555,630        |
| Project work in progress                                     | 5    | -                                                                   | -                      | -                                                | 116,971                                              | 116,971           |
| Cash and cash equivalents                                    | 7    | -                                                                   | 5,794,976              | -                                                | -                                                    | 5,794,976         |
|                                                              |      | <b>5,612,085</b>                                                    | <b>7,655,446</b>       | <b>-</b>                                         | <b>17,325,703</b>                                    | <b>30,593,234</b> |
| <b>Total Assets</b>                                          |      | <b>5,612,085</b>                                                    | <b>7,655,446</b>       | <b>-</b>                                         | <b>32,087,916</b>                                    | <b>45,355,447</b> |
| Equity and Liabilities                                       |      |                                                                     |                        |                                                  |                                                      |                   |
| Equity                                                       |      |                                                                     |                        |                                                  |                                                      |                   |
| Equity Attributable to Equity<br>Holders of Parent: Reserves |      | -                                                                   | -                      | -                                                | 13,873,240                                           | 13,873,240        |
| Retained income                                              |      | -                                                                   | -                      | -                                                | 18,653,123                                           | 18,653,123        |
|                                                              |      | -                                                                   | -                      | -                                                | <b>32,526,363</b>                                    | <b>32,526,363</b> |
| <b>Total Equity</b>                                          |      | <b>-</b>                                                            | <b>-</b>               | <b>-</b>                                         | <b>32,526,363</b>                                    | <b>32,526,363</b> |
| Liabilities                                                  |      |                                                                     |                        |                                                  |                                                      |                   |
| Non-Current Liabilities                                      |      |                                                                     |                        |                                                  |                                                      |                   |
| Capital grant                                                | 10   | -                                                                   | -                      | -                                                | 530,991                                              | 530,991           |
| Current Liabilities                                          |      |                                                                     |                        |                                                  |                                                      |                   |
| Trade and other payables                                     | 9    | -                                                                   | -                      | 438,388                                          | 5,478,699                                            | 5,917,087         |
| Deferred income                                              | 10   | -                                                                   | -                      | -                                                | 6,381,006                                            | 6,381,006         |
|                                                              |      | -                                                                   | -                      | <b>438,388</b>                                   | <b>1,859,705</b>                                     | <b>12,298,093</b> |
| <b>Total Liabilities</b>                                     |      | <b>-</b>                                                            | <b>-</b>               | <b>438,388</b>                                   | <b>2,390,696</b>                                     | <b>12,829,084</b> |
| <b>Total Equity and Liabilities</b>                          |      | <b>-</b>                                                            | <b>-</b>               | <b>438,388</b>                                   | <b>4,917,059</b>                                     | <b>45,355,447</b> |

Annual Financial Statements  
for the year ended 31 March 2018

## Notes to the Annual Financial Statements *(continued)*

### 22. Categories of Financial Instruments *(continued)*

|                                                   | Note | Financial<br>Assets<br>At Fair<br>Value<br>Through<br>Profit (Loss) | Loans &<br>Receivables | Financial<br>Liabilities At<br>Amortised<br>Cost | Equity &<br>Non Financial<br>Assets &<br>Liabilities | Total             |
|---------------------------------------------------|------|---------------------------------------------------------------------|------------------------|--------------------------------------------------|------------------------------------------------------|-------------------|
| <b>Categories of financial instruments - 2017</b> |      |                                                                     |                        |                                                  |                                                      |                   |
| <b>Assets</b>                                     |      |                                                                     |                        |                                                  |                                                      |                   |
| <b>Non-Current Assets</b>                         |      |                                                                     |                        |                                                  |                                                      |                   |
| Property, plant and equipment                     | 3    | -                                                                   | -                      | -                                                | 15,938,922                                           | 15,938,922        |
| <b>Current Assets</b>                             |      |                                                                     |                        |                                                  |                                                      |                   |
| Trade and other receivables                       | 6    | -                                                                   | 2,919,463              | -                                                | 159,672                                              | 3,079,135         |
| Financial assets                                  | 4    | 5,450,966                                                           | -                      | -                                                | 12,107,886                                           | 17,558,852        |
| Project work in progress                          | 5    | -                                                                   | -                      | -                                                | 245,571                                              | 245,571           |
| Cash and cash equivalents                         | 7    | -                                                                   | 6,955,412              | -                                                | -                                                    | 6,955,412         |
|                                                   |      | <b>5,450,966</b>                                                    | <b>9,874,875</b>       | <b>-</b>                                         | <b>12,513,129</b>                                    | <b>27,838,970</b> |
| <b>Total Assets</b>                               |      | <b>5,450,966</b>                                                    | <b>9,874,875</b>       | <b>-</b>                                         | <b>28,452,051</b>                                    | <b>43,777,892</b> |
| <b>Equity and Liabilities</b>                     |      |                                                                     |                        |                                                  |                                                      |                   |
| <b>Equity</b>                                     |      |                                                                     |                        |                                                  |                                                      |                   |
| Equity Attributable to Equity Holders of Parent:  |      |                                                                     |                        |                                                  |                                                      |                   |
| Reserves                                          |      | -                                                                   | -                      | -                                                | 14,175,217                                           | 14,175,217        |
| Retained income                                   |      | -                                                                   | -                      | -                                                | 17,576,439                                           | 17,576,439        |
|                                                   |      | -                                                                   | -                      | -                                                | <b>31,751,656</b>                                    | <b>31,751,656</b> |
| <b>Total Equity</b>                               |      | <b>-</b>                                                            | <b>-</b>               | <b>-</b>                                         | <b>31,751,656</b>                                    | <b>31,751,656</b> |
| <b>Liabilities</b>                                |      |                                                                     |                        |                                                  |                                                      |                   |
| <b>Non-Current Liabilities</b>                    |      |                                                                     |                        |                                                  |                                                      |                   |
| Capital grant                                     | 10   | -                                                                   | -                      | -                                                | 1,291,212                                            | 1,291,212         |
| <b>Current Liabilities</b>                        |      |                                                                     |                        |                                                  |                                                      |                   |
| Trade and other payables                          | 9    | -                                                                   | -                      | 1,119,890                                        | 4,882,541                                            | 6,002,431         |
| Deferred income                                   | 10   | -                                                                   | -                      | -                                                | 4,732,593                                            | 4,732,593         |
|                                                   |      | -                                                                   | -                      | 1,119,890                                        | 9,615,134                                            | 10,735,024        |
| <b>Total Liabilities</b>                          |      | <b>-</b>                                                            | <b>-</b>               | <b>1,119,890</b>                                 | <b>10,906,346</b>                                    | <b>12,026,236</b> |
| <b>Total Equity and Liabilities</b>               |      | <b>-</b>                                                            | <b>-</b>               | <b>1,119,890</b>                                 | <b>42,658,002</b>                                    | <b>43,777,892</b> |

Annual Financial Statements  
for the year ended 31 March 2018

# Notes to the Annual Financial Statements *(continued)*

## 23. Risk management

### Capital risk management

The Institute's objectives when managing capital are to safeguard the Institute's ability to continue as a going concern and achieve the objectives of the Institute for which it was established.

The capital structure of the Institute consists of grants and accumulated surplus. There are no externally imposed capital requirements. There have been no changes to the strategy for capital maintenance from the previous year.

### Financial risk management

The Institute's activities expose it to a variety of financial risks: market risk (mainly fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Institute's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Institute's financial performance.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet its obligations. The Institute was not significantly exposed to liquidity risk during the year. The Institute has placed amounts in short term deposits that are highly liquid to meet any liability that it is exposed to.

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

|                          |                  |
|--------------------------|------------------|
| At 31 March 2018         | Less than 1 year |
| Trade and other payables | 438,388          |
| At 31 March 2017         | Less than 1 year |
| Trade and other payables | 1,119,890        |

### Interest rate risk

As the Institute has significant interest-bearing assets, the Institute's income and operating cash flows are substantially independent of changes in market interest rates.

The Institute's interest rate risk arises from deposits in short term financial assets and call accounts with its bankers. The Institute analyses its interest rate exposure on a dynamic basis. Since most of the deposits are placed in short term maturity assets, the financial administrators negotiate interest rates with the bankers on maturity of these instruments before decisions on reinvesting. A quote for the best interest is obtained from financial institutions in the country and decisions are then made.

The institute invests with reputable financial institutions and is subject to normal market interest rate risk on its banking facilities.

Annual Financial Statements  
for the year ended 31 March 2018

## Notes to the Annual Financial Statements (continued)

### 23. Risk management (continued) Credit risk

Credit risk is the risk of financial loss to the Institute if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Institute's trade receivable balances, related parties and investments in cash and cash equivalents.

Credit risk consists mainly of cash deposits, cash equivalents, financial instruments and trade debtors. The Institute only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

|                             |            |            |
|-----------------------------|------------|------------|
| Financial instrument        | 2018       | 2017       |
| Trade and other receivables | 1,860,470  | 2,919,463  |
| Other financial assets      | 22,555,630 | 17,558,852 |
| Bank balances               | 5,790,976  | 6,951,412  |

### Foreign exchange risk

The Institute is exposed to foreign currency risk for transactions which are denominated in a currency other than Pula. The Institute does not take cover on foreign currency as it regards the Pula as a stable currency. The Institute's exposure to foreign exchange risk, based on notional amounts, is analysed as follows:

### Foreign currency exposure at the end of the reporting period

|                                           |                  |                  |
|-------------------------------------------|------------------|------------------|
| Current assets                            |                  |                  |
| Bank balances - United States Dollar      | 895,292          | 1,945,952        |
| Bank balances - British Pound             | 128,777          | 125,574          |
| Amounts receivable - United States Dollar | 426,237          | 638,073          |
| Amounts receivable - South African Rand   | 194              | -                |
|                                           | <b>1,450,500</b> | <b>2,709,599</b> |

### 24. Fair value information

#### Fair value hierarchy

The Institute measures fair values using the following fair value hierarchy which reflects the significance of the inputs in making the measurements:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Annual Financial Statements  
for the year ended 31 March 2018

# Notes to the Annual Financial Statements *(continued)*

## 24. Fair value information (continued)

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

The Institute's investment in money market funds are categorised as level I. The Institute had no other financial assets valued at fair value through profit or loss at reporting date.

Annual Financial Statements  
for the year ended 31 March 2018

## Detailed Income Statement

| Figures in Pula                       | Note | 2018                | 2017                |
|---------------------------------------|------|---------------------|---------------------|
| <b>Revenue</b>                        |      |                     |                     |
| Income earned from research projects  |      | 5,532,319           | 7,613,271           |
| <b>Grant income</b>                   | 12   | <b>19,752,588</b>   | <b>18,673,720</b>   |
| <b>Gross income</b>                   |      | <b>25,284,907</b>   | <b>26,286,991</b>   |
| Other operating income                |      |                     |                     |
| Amortisation of fixed assets          |      | 859,164             | 878,445             |
| Sundry income                         |      | 7,027               | 196,345             |
|                                       | 13   | 866,191             | 1,074,790           |
| <b>Other operating gains (losses)</b> |      |                     |                     |
| Gains on disposal of assets           |      | 22,006              | -                   |
| Foreign exchange deficits             |      | (139,188)           | (134,320)           |
|                                       | 14   | (117,182)           | (134,320)           |
| <b>Expenses (Refer to page 41)</b>    |      | <b>(25,788,761)</b> | <b>(23,229,162)</b> |
| <b>Operating surplus</b>              | 15   | <b>245,155</b>      | <b>3,998,299</b>    |
| Finance income                        | 17   | 768,479             | 679,561             |
| <b>Surplus for the year</b>           |      | <b>1,013,634</b>    | <b>4,677,860</b>    |

Annual Financial Statements  
for the year ended 31 March 2018

## Detailed Income Statement *(continued)*

| Figures in Pula                  | Note | 2018                | 2017                |
|----------------------------------|------|---------------------|---------------------|
| <b>Other operating expenses</b>  |      |                     |                     |
| Advertising                      |      | (184,171)           | (242,055)           |
| Auditors remuneration            | 15   | (232,759)           | (111,963)           |
| Bad debts                        |      | (288,644)           | -                   |
| Bank charges                     |      | (41,894)            | (27,571)            |
| Cleaning                         |      | (243,076)           | (247,540)           |
| Consulting and professional fees |      | (1,011,197)         | (530,431)           |
| Legal fees                       |      | (42,149)            | (112,401)           |
| Consumables                      |      | (42,208)            | -                   |
| Depreciation                     |      | (1,012,987)         | (701,121)           |
| Employee costs                   |      | (16,905,970)        | (16,394,888)        |
| Entertainment                    |      | (10,519)            | (13,180)            |
| Professional costs               |      | (1,707,785)         | (1,363,075)         |
| Board expenses                   |      | (222,301)           | (213,472)           |
| Conference costs                 |      | (503,301)           | (380,810)           |
| Insurance                        |      | (158,159)           | (170,262)           |
| IT expenses                      |      | (106,506)           | (222,849)           |
| Motor vehicle expenses           |      | (31,979)            | (34,104)            |
| Municipal expenses               |      | (225,488)           | (211,699)           |
| Postage                          |      | (8,046)             | (2,913)             |
| Printing and stationery          |      | (119,346)           | (104,881)           |
| Promotions                       |      | (2,050)             | (70,829)            |
| Repairs and maintenance          |      | (209,503)           | (235,866)           |
| Security                         |      | (74,619)            | (68,983)            |
| Staff welfare                    |      | (56,258)            | (39,773)            |
| Subscriptions                    |      | (164,371)           | (118,155)           |
| Telephone and fax                |      | (450,395)           | (334,583)           |
| Training                         |      | (1,651,236)         | (1,250,654)         |
| Travel - local                   |      | (81,844)            | (25,104)            |
|                                  |      | <b>(25,788,761)</b> | <b>(23,229,162)</b> |















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