



BOTSWANA
INVESTMENT
& TRADE CENTRE
ANNUAL REPORT 2015

DIVERSIFICATION.
DEVELOPMENT.
GROWTH.



TOTAL GROSS DOMESTIC PRODUCT (GDP)

\$15.81BN

CONSUMER PRICE INDEX (CPI)

Increase of 0.1% from 182.8

183.10

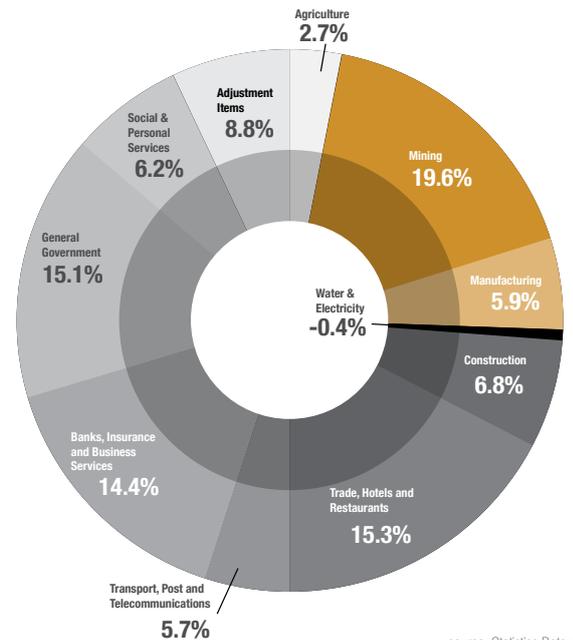
BANK RATE

6%

TAX TRAINING REBATE

200%

GDP BY ECONOMIC ACTIVITY



source: Statistics Botswana

INTRODUCTION

6 Introduction to BITC

GOVERNANCE

- 10 Chairman's Statement
- 12 Board Directors
- 14 Chief Executive's Statement
- 20 Executive Team
- 22 The Board and Governance
- 24 Operational and Financial Review

PERFORMANCE

- 28 Strategic Research
- 35 Investment Promotion
- 44 Business Facilitation Services
- 50 Export Enterprise Development and Promotion
- 54 Global Expo Botswana
- 62 Special Economic Zones
- 64 Brand Botswana

REACHING OUT

70 Reaching Out

STANDARD AND POOR'S CREDIT RATING AT A2

MOODY'S INVESTOR SERVICES AND STANDARD AND POOR'S CREDIT rating puts Botswana alongside some developed countries at A2, enhancing the capacity for investors to raise capital from international markets.

WE CONDUCT OUR BUSINESS WITH SKILL, RESPECT, CONFIDENCE AND INTEGRITY. We share a common ideal of professionalism that places our nation at the leading edge of global investment and trade.

DIAMONDS

ACCORDING TO STATISTICS BOTSWANA, TOTAL EXPORTS WERE valued at P4592.70 million July 2015 with 60% (P2,755.62) attributed to diamond exports. The diamond trade is for both rough and polished diamonds.

TOURISM

TOURISM IS AN INCREASINGLY IMPORTANT INDUSTRY FOR BOTSWANA, accounting for almost 9.5% of GDP. The Okavango Delta, located in Botswana, is a major tourism resource as one of the world's most unique ecosystems.

0

Our country has an official policy of **ZERO TOLERANCE FOR CORRUPTION.**

15%

CORPORATE TAX is only 15% for manufacturing companies and IFSC companies.

BOTSWANA IS HIGHLY RATED BY INTERNATIONAL ORGANISATIONS ON A NUMBER OF ECONOMIC INDICATORS, based on its impressive performance. Botswana has also been consistently rated by Transparency International as the least corrupt country in Africa, and is ranked amongst the least corrupt countries in the world. This clearly shows that our Government institutions are efficient, effective and transparent. Thus creating a conducive environment for the seamless operation of the private sector.

OUR VALUES

1. TRANSPARENCY

We are completely open and transparent in all of our actions and activities. We trust others and are trustworthy, conducting our affairs in an ethical and admirable fashion.

2. INTEGRITY

Every action or decision we make is undertaken with consideration for proper process and fairness to all.

3. PROGRESS

We believe in transformative power of sustainable economic development. With Botswana's interests at heart we are defining a bright future for all.

4. PROFESSIONALISM

We conduct our business with skill, respect, confidence and acumen. We share a common ideal of professionalism, placing our nation at the leading edge of global investment and trade.

5. SUSTAINABILITY

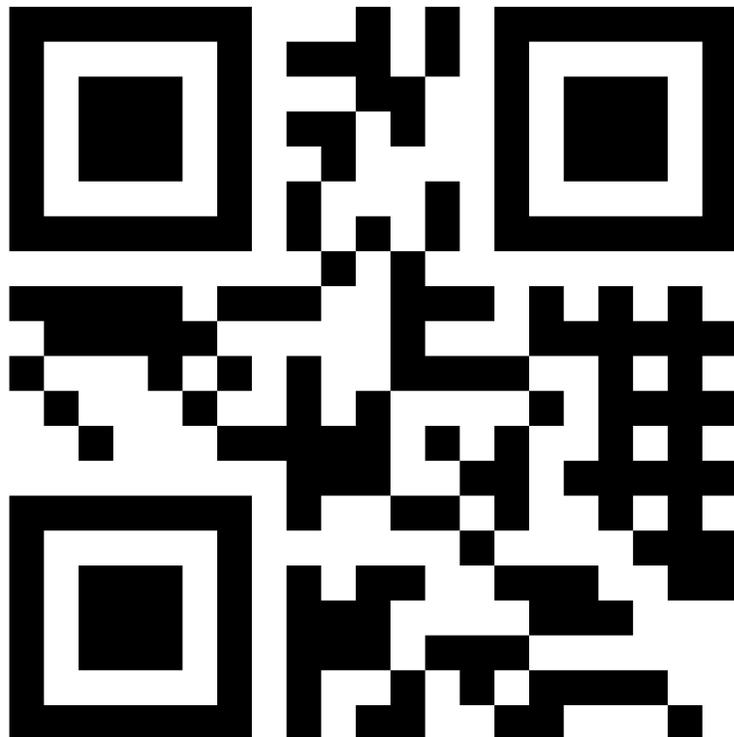
We take pride in the strength of our well regulated, transparent and investor-friendly business environment. We are focused on continuing to build capacity, driving prosperity for generations to come.

VISION

WE WILL BE THE GLOBALLY RECOGNISED LEADING INVESTMENT AND TRADE PROMOTION AGENCY IN AFRICA.

MISSION

WE EXIST TO TACTICALLY AND INNOVATIVELY PROMOTE BOTSWANA AS A LEADING DESTINATION TO VISIT, LIVE IN, TO INVEST AND TRADE IN AFRICA, WITH A FOCUS ON ACCELERATED ECONOMIC GROWTH AND DIVERSIFICATION, EMPLOYMENT CREATION AND EXPORT DEVELOPMENT.



ABOUT BOTSWANA



LOCATION WITHIN AFRICA:

Botswana is centrally located at the heart of Southern Africa. It shares borders with Zambia in the north, Namibia in the north and north-west, Zimbabwe in the north-east and South Africa in the south and south-east. Its central location in the Southern Africa region makes Botswana the perfect gateway for reaching the whole of the Southern African Development Community (SADC) region. Botswana is a perfect investment and trade hub.

AREA

Botswana has a surface area of 581,730 km² of which 84% is the Kgalagadi Desert.

CITIES

Gaborone is the capital and largest city with a population of 231,626 (Population and Housing Census 2011), which is approximately 10% of the total national population. With an area of 169 km², the city's wider agglomeration is home to 421,907 inhabitants.

BOTSWANA INVESTMENT AND TRADE CENTRE (BITC)

is an organization established by an Act of Parliament, Act No. 12. of 2011 to become an integrated Investment and Trade Promotion Authority, reporting to the Ministry of Trade and Industry with an encompassing mandate of investment promotion and attraction; export promotion and development including management of the Nation Brand.

PART

1

DIAMONDS, BOTSWANA'S BEST FRIEND 4

Our Values	1
About Botswana	2
Introduction	6
Logistics	8

PART

2

LOGISTICS 8

Chairman's Statement	10
Board of Directors	12
Chief Executive's Statement	14
Executive Team	20
The Board and Governance	22
Operational and Financial Review	24

Francistown is the second city located in the North Eastern part of the country.

POPULATION

2,024,904 (Population and Housing Census 2011).

ADULT LITERACY RATE

The country’s literacy rate stood at 81.5 % in 2013, which is amongst the highest literacy rates in Africa.

LANGUAGES

English is the only official language. Setswana is the most widely spoken language in Botswana, and is considered the national language. As of 2011, about 80% of the population spoke Setswana.

CURRENCY

The Pula is the currency of Botswana. ISO 4217 code is BWP, and there are 100 thebes to one Pula. Pula is the Setswana word for “rain”.

PART

3

AUTOMOTIVE AND COMPONENTS MANUFACTURING 26

Strategic Research	28
Positioning Botswana as the Investment Destination	35
Business Facilitation Services	40
Developing and Promoting Botswana Products for Export	50
Special Economic Zones	62
Brand Botswana	64

PART

4

LEATHER AND LEATHER GOODS 68

Reaching Out	71
--------------	----

PART

5

ANNUAL FINANCIAL STATEMENTS 76

Statement of Responsibility by the Board of Directors	79
Independent Auditors Report	80
Statement of Comprehensive Income	82
Statement of Financial Position	83
Statement of Changes in Funds	84
Statement of Cash Flows	85
Notes to the Financial Statements	86
Detailed Income Statement	111
Notes to the Detailed Income Statement	112

PART



DIAMONDS, BOTSWANA'S BEST FRIEND

BOTSWANA HAS LONG EARNED ITSELF A REPUTATION AS THE DIAMOND DARLING OF THE WORLD. THE BOTSWANA DIAMONDS, MINED UNDER STRICT AND INTERNATIONAL STANDARDS, GENERATE ALMOST HALF OF THE COUNTRY'S REVENUE. THE DIAMOND INDUSTRY GROWTH AND A SHIFT FROM JUST MINING THE DIAMONDS TO MINING, CUTTING AND POLISHING HAS CONTRIBUTED TO THE CONTINUED DEVELOPMENT OF BOTSWANA. THIS CAN ALSO BE ATTRIBUTED TO THE DECISION BY THE GOVERNMENT FROM THE ONSET TO REINVEST THE REVENUE BACK INTO VARIOUS RESOURCES THAT CONTRIBUTE TO THE COUNTRY'S ECONOMIC GROWTH; FROM EDUCATING BOTSWANA TO INFRASTRUCTURE.

Since independence, the diamond industry saw Botswana leading as the highest average economic growth rate in the world, averaging about 9% per year from 1966 to 1999. For the first 30-year post independence the growth in private sector employment has averaged about 10% per annum and continues to thrive.

As the world-leading supplier of quality and "clean" diamonds, the demand has seen multiple mines being established over the years, including recently, by both the government and private entities. The additional mines such as the privately owned Ghaghoo, Karowe and Lucara, have presented satisfactory performance.

Lucara Diamond Corp held three large-diamond tenders in 2014, resulting in \$46.4M from the sale of 14 diamonds with a combined weight of 1,539 carats, whereas Karowe Mine is estimated to produce 400,000 carats worth \$230 million in 2015. According to a report prepared by Olya Linde and Roberto De Meo from Bain & Company, together with Ari Epstein and Stephane Fischler from AWDC, Botswana's output

grew by 2.5 million carats because of increased production by Debswana.

The historic relocation by Diamond Trading Company Botswana (DTCB) from London to Botswana resulted in the expansion of the diamond value chain for Botswana, leading to diamond cutting and polishing companies setting up. The efforts to diversify the industry have also attracted other value chain players such as jewellery manufacturers, positioning Botswana to be more than just a producer of raw diamonds. Thousands of jobs have been created and more continue to be reinvested in other industries.

The developments require the country to have infrastructure and resources necessary for the global business platform created by the thriving diamond industry. The property, banking, technology, transport, leisure and other industries are the process of responding to the anticipated needs. The transport industry has seen additional airline routes from Kenya and Ethiopia, with more expected over the next few years. The hotel industry has seen great expansion throughout the

country; technology infrastructure developments such as the optic fibre are being perfected. These are just some of the industries that are seeing growth due to the growing diamond industry.

The potential brought on by this growth could see more Botswana being key players in the now expanding value chain – designing, manufacturing and with the citizen empowerment programmes in place, there is even the possibility of Botswana venturing into mining.

This then presents various opportunities and efforts for Botswana in this industry. There is a possibility to establishing a thriving manufacturing sub-sector, talent development necessary, efficient infrastructure to support the shift from only mining the diamonds but also continue production to the final stage – retail.

The Diamond Industry continues to outshine any other industry in Botswana, accounting for one-third of GDP, 70% of export earnings, and about one-third of the government's revenues.

INTRODUCTION TO BITC

BOTSWANA INVESTMENT AND TRADE CENTRE (BITC) IS AN INTEGRATED INVESTMENT AND TRADE PROMOTION AUTHORITY WITH AN ENCOMPASSING MANDATE OF INVESTMENT PROMOTION AND ATTRACTION; EXPORT PROMOTION AND DEVELOPMENT INCLUDING MANAGEMENT OF THE NATION BRAND.

The organisation plays a critical role of driving Botswana's economic growth through attraction of FDI, domestic investment, facilitation of expansions and further spearheads the growth of exports by promoting locally manufactured goods to regional and international markets. BITC drives wealth creation for Botswana by creating platforms that will instigate and ensure increased citizen participation in the economy and create sustainable job opportunities.

Of great importance within the role of this organisation is building and maintaining a positive and impressive image of our country locally and internationally.

FOCUSED, SELECTIVE AND TARGETED INVESTMENT PROMOTION

In our efforts to become a third generation Investment Promotion Agency, our focus on investment promotion is leveraged on undertaking research to identify growth sectors, packaging them and availing strategic go-to-market value propositions that will entice investors to the country. We have put great emphasis on pre-existing strategic national priorities that are focused on delivering economic growth, development and diversification.

These include but are not limited to:

- Mining & Energy - Beneficiation (Diamond Hub)
- Agriculture (Agriculture Hub)
- Education (Education Hub)
- Transport and Logistics (Transport Hub)
- Financial & Business Services
- Tourism

EFFECTIVE STAKEHOLDER ENGAGEMENT, INVOLVEMENT AND ALIGNMENT

Proactive and continuous collaboration with key stakeholders such as the Economic Excellence Hubs, Botswana Tourism Organisation (BTO), Botswana Development Corporation (BDC) and Selebi Phikwe Economic Diversification Unit (SPEDU) is at the forefront of BITC's strategy. This includes partnership with Botswana Foreign Missions that have a greater footprint within the international market and provide a platform through which foreign direct investment can thrive by identifying business partnerships, beneficial industry associations, and providing a point of information exchange for both international and domestic investors.

EFFECTIVE INVESTOR FACILITATION AND AFTERCARE

The organisation provides an in-house Business Facilitation Services Centre that provides the following services to local and international investors:

- Company and business registration
- Trade and business license applications
- Entry visas, work and residence permits
- Work Permit Exemptions
- Connection of utilities e.g. Power, telecommunications and water
- Income Tax and VAT registration
- Access to industrial and commercial land
- Allocation of BITC factory space (subject to availability)
- Environmental Impact Assessment (EIA) Compliance

- Provision of information on the Botswana business climate, regulatory regime and investment opportunities
- Opening a Bank Account

BITC operates a Resource and Reference Centre that was established through the Joint Integrated Technical Assistance Programme (JITAPI), a programme jointly implemented by ITC, UNCTAD and WTO. The Centre disseminates appropriate trade and investment promotion related information and is open to Government officials, the business community, academia, students and the general public.

BUILDING A COMPETITIVE AND ATTRACTIVE BUSINESS ENVIRONMENT

BITC significantly contributes to improvements in the investment climate through policy advocacy aimed at ensuring facilitation of a competitive business and investment climate and to foster greater economic activity. This includes making recommendations for competitive changes to legislation and the national investment framework.

SUSTAINABLE EXPORT DEVELOPMENT AND PROMOTION

Through local manufacturers, Botswana has the potential to export more products to various regions. To realise this potential, the current focus is to intensify the BITC Export Development Programme that will assist and support local manufacturers in terms of improvement of product quality, packaging and increased production, so as to be able meet potential buyers' requirements and



expectations. BITC engages in intensive export promotion to facilitate participation by local manufacturers in regional and international expos with the aim of exposing their products to export markets and thereby increasing their export potential.

NATIONAL IMAGE BUILDING AND GLOBAL AWARENESS CREATION

As BITC, we are privileged to have at our disposal the Nation Brand, which seeks to position Botswana to domestic, regional and international audiences as an attractive place to visit, work and invest. The Nation Brand highlights our national assets - our people, culture, tourist attractions, business potential and reputation for good governance.

NATIONAL ROLL OUT OF SUCCESSFUL, POSITIVE IMPACT SEZs

The Government of Botswana has adopted the Special Economic Zones (SEZ) Policy which is designed to attract top domestic and foreign investors on the basis of world class infrastructure, state of the art technology, targeted economic incentives, beneficial inter-sectoral linkages, and specially trained manpower with relevant modern industry skills.

In its role as the Interim Special Economic Zones Authority (SEZA), BITC has been mandated with the implementation of the SEZ programme. The generic functions of a SEZA are, among others, to:

- Coordinate, promote and facilitate SEZs investments
- Identify locations for the purpose of establishing SEZs
- Ensure that basic infrastructure and utilities are in place for the purpose of operations in the SEZs
- Prepare national and international programmes for appropriate promotion of SEZs
- License SEZs investors.

OBJECTIVES

At a broader level the SEZ is intended to achieve the following;

- Diversify the economic and export base of Botswana into sectors that will continue to grow long after diamond mining
- Provide a hassle free business environment that offers investors a competitive edge in world markets
- Establish a one stop, full service business environment that caters for the needs of all businesses inside the SEZs areas

- Create business development opportunities for small, medium and micro-enterprise suppliers that will meet the expanding needs of SEZs enterprises
- Develop a portfolio of public sector, private sector and public-private partnership (PPP) SEZs as dictated by the market
- Develop SEZs that are integrated into domestic, regional and international markets
- Cluster business enterprises according to their trade with a view to achieving mutually beneficial intersectoral linkages and economies of agglomeration within SEZs
- Provide SEZs incentive packages that are consistent with Botswana's domestic and international trade obligations
- Develop SEZs labour laws that are consistent with the International Labour Organisation labour standards
- Create employment through the development of appropriate SEZs countrywide.

LOGISTICS

CENTRALLY LOCATED IN SADC, BOTSWANA OFFERS MULTIPLE OPPORTUNITIES FOR INVESTORS SEEKING TO TAP THE CARGO, FREIGHT AND LOGISTICS SECTOR IN THE REGION. IT PROVIDES LAND-LINKED ACCESS TO SEVEN FAST-GROWING MARKETS AND SERVES AS THE PERFECT LOCATION TO LEVERAGE REGIONAL TRADE GROWTH, WITH INTRA-REGIONAL TRANSPORT VOLUMES EXPECTED TO MORE THAN DOUBLE WITHIN THE NEXT TWO DECADES. BOTSWANA PROVIDES AN ALTERNATIVE ROUTE TO SADC'S OTHER HIGHLY CONGESTED CORRIDORS, SUCH AS THE ROUTE FROM SOUTH AFRICA THROUGH ZIMBABWE AND THEN INTO ZAMBIA AND THE DEMOCRATIC REPUBLIC OF CONGO (DRC).

These, amongst many others, are just some of the reasons the transport and logistics industry are primed for even greater growth. Worth noting is that Botswana has committed significant investment to develop new and revitalise existing transport corridors making use of road, rail, airports, dry ports and one-stop border posts. Its innovative intra-regional corridor developments and interconnectivity of road, rail and air cargo provide a model platform for freight forwarders and cargo owners to access local, regional and international markets.

Targeted projects and policy interventions in the transport sector have been established with strategic purpose. This has been done in a bid to develop Botswana as a transport hub within the SADC region, an opportunity that, if successfully seized, would create immense potential for further economic growth and position Botswana more strongly within the SADC region. It is hoped that the transport and logistics industry becomes a major growth sector, stimulating economic diversification in this way.

Three avenues towards achieving this goal remain clear: air cargo; the Trans-Kgalagadi Rail line Corridor; and the Heavy Haul Railway Line between Botswana and Mozambique (Techobanine). In 2009, the then Botswana Export Development and Investment Authority (BEDIA) conducted a feasibility study on cargo and logistics facilities. A key noted outcome from this study was the identification of opportunities for an air cargo hub at Sir Seretse Khama International Airport (SSKIA) in Gaborone. This would handle, in particular, perishable goods. It is through this that the hub could attract both freight and passenger airlines to





PART

2

provide cargo capacity at SSKIA, thus adding value to logistics, transport and secondary storage facilities for both import and export.

Further, the hub would eventually provide: air cargo transport (on freighters and passenger airlines), ground handling services, imports and exports, customs, health inspections, and agricultural inspections. In addition, it would allow for trucking, general and specialised storage (including cold storage), and value-added logistics. Other services supporting the hub would include fire and rescue, repair and maintenance, and security. With regards to the Trans-Kgalagadi

Corridor, investment opportunities exist in railway expansion along the Corridor. This would effectively connect Maputo, Johannesburg, Gaborone, Windhoek and Walvis Bay, with a number of notable Public-Private Partnerships possible in this regard. These include:

- Access to SADC region equals increased freight and passenger traffic through Botswana
- Potential for an expanded market as mining and other sectors develop along the corridor
- Easy access to major transport nodes is a key competitive advantage
- Proximity to high volume raw material extraction

Lastly, it is believed that a well-developed rail network along the Trans-Kgalagadi Corridor will connect coal and other heavy extraction industries to a deep water port on the Indian Ocean, with access to the Asian market.

A number of investment opportunities exist in the industry, both in the Southern Region as well as Northern Kgalagadi and Hukuntsi areas. Embracing the potential to grow the sector to benefit the local economy and position it regionally is therefore key.

CHAIRMAN'S STATEMENT

IT GIVES ME GREAT PLEASURE TO SHARE WITH YOU THE WORK THAT THE BOTSWANA INVESTMENT AND TRADE CENTRE (BITC) HAS BEEN ABLE TO CONDUCT DURING THE YEAR UNDER REVIEW.



Investment and trade promotion are continuously evolving, as countries with which Botswana competes intensify their efforts to improve the ease of doing business. The main objective for each respective country in this aggressive global competitive drive for improvement is to accelerate economic development by building a competitive advantage in major sectors such as investment, exports, skills transfer and technological transfer.

This being the core focus of the BITC, achievement of our high-level objectives will see us accelerate economic development for Botswana through increased Foreign Direct Investment (FDI), domestic investment, job creation and increased foreign market share for locally manufactured products. Also of great importance is the need for BITC to significantly grow activity around the services sector, which has great potential and, as currently seen in other countries, contributes immensely to the level of FDI.

It is against this backdrop that I am pleased to report that despite the competition and the challenging global economic landscape, BITC continues to forge ahead in fulfilling its mandate and has continued to provide leadership in the drive for Botswana's economic diversification.

BITC, during the year under review, continued its efforts to strategically attract FDI to Botswana and increase domestic investment to ensure Botswana and local companies are not left behind in taking advantage of the investment opportunities that are available in the country. The need for citizen participation in overall economic development and growth is still very important for this country as it will result in a solid and competitive private sector.

Equally important for BITC during the past financial year was to diversify export products and establish new markets for Botswana products to enter and compete internationally. In addition, the organisation streamlined its focus and efforts towards more defined sectors and specific target markets for FDI promotion.

PERFORMANCE

The financial year 2014/15 was eventful and fruitful, and yet also challenging. This was due to a number of factors. The Government's subvention allocated to BITC was P111.7million during this period. The growth in the subvention for BITC is reflective of a continued growth and expansion of operational activities that saw it launch a major Botswana marketing campaign on the international television station CNBC Africa, with plans fully underway to launch another campaign on BBC in the earlier part of the next financial year.

Even though our advances have ensured the organisation continues to perform exceptionally well, the increase in the Government grant is substantially less than the required level to sustain BITC's increased operational activities. The funding shortfall continues to be a challenge that the organisation faces and must therefore devise ways to overcome.

Since the launch of the Business Facilitation Services Centre, (a one-stop shop), BITC has been experiencing a steady rise in the demand for its services, from both existing and potential investors.

In order to improve its service offering through this one-stop shop and to address some of the challenges relating to turnaround times, BITC is involved in constant discussions with different stakeholders in order to bring about efficiency in the services provided to investors.

As part of these efforts, BITC signed a Service Level Agreement (SLA) with the Botswana Power Corporation (BPC) that seeks to facilitate the speedy resolution of investors requirements. This SLA is the fourth signed by BITC with key stakeholders. During the year under review, BITC also signed SLAs with the Registrar of Companies and Intellectual Property, and the Botswana Unified Revenue Service (BURS).

Efforts are under way to sign additional SLAs with other key stakeholders.

Among the strategic leverage areas for BITC is building a competitive and attractive business environment.

In order to achieve this, BITC is mandated with the responsibility of facilitating an enabling business environment. In this regard, BITC developed an Advocacy Framework to guide and ensure a systematic engagement with various stakeholders in order to improve the investment-enabling environment in Botswana.

In addition, there is a need to finalise and approve the business facilitation law that will ensure smooth acquisition of Government authorisations in line with successful and progressive countries that have made deliberate decisions to meaningfully reform their investment climate.

BITC continues to recognise its employees as critical to the overall performance and success of the organisation. It is this appreciation that led to the organisation during the reporting period investing in the training and development of staff to ensure they are efficiently capacitated to perform in the challenging and competitive investment and trade-promotion environment.

BITC'S STRATEGIC REFORM

There was a strong indication on review of the need to engage in a transformational programme aimed at driving the institution to become a third-generation investment and trade promotion organisation. Consideration and interrogation of the Michael Porter Market Competitiveness Model was also made, which became the basis and definition of the strategic intent for BITC.

We believe that this approach will maintain BITC's and Botswana's competitive edge in the market by pursuing narrow customer segmentation with a focus on differentiating ourselves through competitive advantage in carefully selected subsectors.

This strategic direction warrants the review of the organisation structure to ensure sector alignment and overall execution and performance going forward.

APPRECIATION

The staff members employed by BITC are the reason we continue to forge ahead despite the challenges we face. It is for this reason that I wish to commend and thank all of them for their hard work and diligence. However, the journey for staff self development and overall high performance continues to take centre stage as competition for investment amongst nations intensifies.

Special thanks to the outgoing Board members, Ms Ethel Matenge-Sebesho and Ms Banny Molosiwa for the unwavering contribution, insight, and expertise you contributed to the success of BITC over the past three years. As a Board, we will continue to cherish your contribution. A warm welcome to incoming Board Member, Ms. Peggy Serame, who is currently the Permanent Secretary to the Ministry of Trade and Industry.

Great appreciation and gratitude goes to our Ministry of Trade and Industry and all key and relevant stakeholders for their support and mutual partnership as we pursue our mandate. We understand and acknowledge that your contribution to the investment and trade process is key to our performance as an entity.

Finally, my thanks go to all the members of the Board for their commitment to the success of BITC and the assiduous support we continue to afford each other as we navigate the challenges of delivering on our organisation and national objectives.



Victor Jakopo Senye
Board Chairman

BOARD OF DIRECTORS

GOVERNANCE



VICTOR JAKOPO SENYE
Board Chairman



ETHEL MATENGE-SEBESHO
Board Vice Chairperson



TERENCE DAMBE
Board Member



BANNY KEMONEILWE MOŁOSIWA
Board Member



CHRISTOPHER ROY GARLAND
Board Member



WILHEMINA TEBOGO MAKWINJA
Board Member



ELLEN LOPANG RICHARD-MADISA
Board Member



ESTHER VAMANUKA KANAIMBA-SENAI
Board Member

CHIEF EXECUTIVE'S STATEMENT

2014/2015 MARKED BITC'S 3RD YEAR OF OPERATION SINCE INSTITUTIONALISATION IN APRIL 2012.



OUR RESULTS

New Capital investment

1.5BN

Domestic Investment & Expansions

1.7BN

Total Cumulative Capital

3.2BN

OUR HIGHLIGHTS

- > Export earnings target of BWP1900 million.
- > Financial and Business Services contributing 50% of the total Capital Investment
- > Cumulative investment surpassed the P3 billion mark.
- > Significant Growth of 68% compared to last year's P1.9bn.

2014/2015 marked BITC's 3rd year of operation since institutionalisation in April 2012. It is during this year that we firmly implemented key initiatives that will define a markedly new Investment and Trade Promotion Agency (ITPA) approach towards being more effective in our investment promotion efforts in order to achieve and deliver more impactful results.

PERFORMANCE REVIEW

The 2014/15 organisational performance versus the corporate score card registered a 13% improvement in level of performance in comparison to the previous financial year (2013/14). The organization exceeded targets with respect to measures of job creation, business expansions and foreign direct investment (FDI) attaining over 100% achievement.

Our investment attraction and domestic investment during the period under review resulted in total capital investment that surpassed the P3bn mark and stood at P3.2bn against an annual target of P1.160bn. The Financial and Business Services sector represented the largest contribution to this performance delivering P1.8bn which is more than 50% of the capital investment realised. This is a significant growth of 68% compared with the 2013/14 total capital investment of P1.9bn. Of the P3.2bn, the Foreign Direct Investment (FDI) companies raised a total investment of almost P1.5bn with business expansions contributing P1.4bn and domestic investment valued at P238.4m. Total capital investment was realised in several sectors that included manufacturing, business and financial services, retail, automotive component manufacturing, agriculture, mining, engineering and construction.

Over 3000 jobs were created during the period also surpassing the annual target of 2400 with a majority of jobs created through business expansions that contributed 73% to the jobs figure. Companies that expanded significantly during the period included an automotive harness manufacturing plant which created 900 jobs.

During the period under review, BITC initiated negotiations with forty six (46) companies which have expressed an intention to establish a presence in Botswana. The companies are from countries such as South Africa, India, Canada, the United Kingdom, Zimbabwe and China and are involved in various sectors.

BITC embarked on a project to develop an investment promotion strategy and value propositions for the cargo/logistics, leather and leather products and automotive components manufacturing sectors. This project will ensure that BITC is able to strategically market Botswana to leading multinationals with increased prospects of attracting capital, investment, technology and intellectual property into Botswana.

Exporters continued to receive assistance from the BITC through the promotion of their products in foreign markets, and export revenues generated from BITC's efforts during the period reached P1.8bn. A notable development in this regard was diversification of the export products with the introduction of 10 new product lines to the export portfolio. These included leather bags into Namibia; contemporary furniture exported to Israel and France; lounge suites and bed sets exported to Zambia, RSA and Namibia; re-rolled steel exported to RSA; farm implements to RSA; clay bricks exported to Zimbabwe; meat products, offal exported to Zimbabwe and UK; bathing soap exported to Zimbabwe. The introduction of these new product lines has increased BITC export product lines to 21 products.

KEY SUCCESSES AND DEVELOPMENTS

BITC boldly created international attention and awareness around Botswana through Brand Botswana's Doing Business in Botswana programme on CNBC Africa. The programme created awareness as well as promoted and positioned Botswana to the international audience as an ideal destination for investment.

The television show was viewed across Africa and promoted trade and investment opportunities across the different sectors in Botswana. BITC has plans to increase this international coverage further by launching an international Botswana campaign on BBC in the next financial year.

Plans to implement and establish Special Economic Zones (SEZ) in Botswana made considerable progress, with the anticipated approval of the Special Economic Zones Bill by Parliament expected during 2015. The SEZ program will overcome barriers to trade, investment and attraction of FDI through decisively addressing restrictive policies, excessive bureaucracy and limited access to serviced land, ultimately creating a more competitive and conducive business environment, growing our exports, foreign earnings and creating sustainable employment.

Eight SEZ sites in Botswana have been identified through detailed research and a SEZ mapping study. The basis of the selection considered the comparative advantage, available infrastructure and proximity to markets by the respective locations. The selected sites include Gaborone at SSKIA, Gaborone within the Fairgrounds area, Lobatse, greater Palapye, Selibe Phikwe, Pandamatenga, Selibe Phikwe Tuli Block area and greater Francistown.

BITC has developed a master plan for Phase I of the SSKIA-SEZ which in addition to demarcating the proposed SEZ provides a clear business case for sectors and activities that can be developed within the site. These include agro-processing, automobile components, pharmaceuticals, diamond cutting and polishing, and jewellery manufacturing. The detailed master plan will also inform detailed engineering designs for the provision of primary infrastructure which will be undertaken during the 2015/16 financial year.

During the year under review, BITC successfully hosted the highly anticipated inaugural All Ministry of Trade and Industry Parastatal Tourney, in May 2014.

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

The sports tournament encourages engagement, networking, and healthy competition whilst building a solid MTI parastatal team. The games will be hosted annually with each MTI Parastatal being given an opportunity to host the games.

BITC also embraced the significantly cost efficient technology platforms and formally launched its presence on social media in November 2014, utilising the popular Facebook, Twitter, LinkedIn and YouTube platforms. Creative graphics and key messages were used on all platforms to generate awareness of, interest in and knowledge about Botswana, and its investment and export opportunities.

KEY PROJECTS

The 9th Global Expo Botswana (GEB) took place in November 2014 under the theme, "Enhancing the Business Landscape through Foreign Direct Investment and Exports". The GEB 2014 event was officially opened by the Minister of Trade and Industry, Hon. Vincent T. Seretse. The Expo attracted multiple exhibitors from 12 countries. Participating countries included Botswana (70), Kenya (2), South Africa (51), Zimbabwe (12), Swaziland (5), Zambia (1), Namibia (1), Indonesia (1), India (1), Mozambique (1), Germany (2) and Ethiopia (1).





The 9th edition of Global Expo Botswana was once again enhanced to deliver greater value through a two-day Investment and Trade Conference that ran parallel to the exhibition. About 500 participants attended the conference, with high-level international speakers from industry, academia as well as moderators and panellists. The various high-level international speakers discussed a variety of topics such as public-private partnerships; exploring the potential for data centres; mineral resource beneficiation; competitiveness rankings; economic partnership agreements; and women in business in Africa.

BITC hosted the 9th Global Expo Botswana (GEB) in November 2014 under the theme, “Enhancing the Business Landscape through Foreign Direct Investment and Exports.”

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

BITC initiated a strategic national project to develop a Botswana trade portal that will open Botswana's trade opportunities to the world. The trade portal will be a web-based, state-of-the-art system designed to grow imports and exports by providing the business community, both locally and globally, with comprehensive, timely and up-to-date critical information relating to trade in Botswana. The portal will consolidate and store all documents pertinent to trade in Botswana specifically, application forms, licences, permits, trading rules and requirements. It will also catalogue various international, regional and bilateral trade agreements that Botswana is party to, as well the numerous benefits these offer. This will mark an important milestone in the country's efforts to provide reliable and up-to-date information to traders and other stakeholders as part of wide-ranging regulatory reforms aimed at making it easier to do business in Botswana.



We continue to target children as they are the most vulnerable members of society. BITC selected Rakops Primary Hospital. The project delivered a full refurbishment of the children's ward, donation of a fully equipped children's playground, branded child welfare card holders and clothes for the under privileged within the community.”



CSI PROGRAM

BITC's corporate social investment programme continued to reach out to Batswana. Following the construction of a Guidance and Counselling Centre at Ikageng Junior Secondary School during 2013/14, our focus shifted from education to health as we recognised the enormous need for support within this sector, especially in remote villages that act as service centres for several other surrounding villages and settlements. This nonetheless still enabled us to continue to target children as they are the most vulnerable members of society.

In executing this project, BITC selected Rakops Primary Hospital. The project delivered a full refurbishment of the children's ward, donation of a fully equipped children's playground, branded child welfare card holders and clothes for the under privileged within the community. The project was officially handed over in March 2015, to the Rakops Chief, Hospital Management and Community.

LOOKING AHEAD

BITC will fully execute its recently completed investment strategy in the next financial year, 2015/16. With implementation of this strategy, BITC is confident of securing increased values FDI in the coming financial year. This investment strategy will be fully supported by clear sector value propositions.

Among other priorities in the coming financial year, BITC will look more closely at beneficiation in the various sectors of our economy as there is significant potential for growth and development in this area. Another key focus will be for the ICT-enabled business services to establish a niche in the global value chain going forward. The country has done relatively well with regard to diamonds; however, we will continue to pursue the beneficiation opportunities relating to other minerals that are extracted in Botswana.

During the next financial year BITC looks forward to delivering a number of key milestones of the SEZ program specifically the approval of the SEZ Bill, approval of the SEZ incentives, institutionalisation of the SEZ Authority, development of the necessary primary infrastructure, identification of site developers and operators and building local technical capacity. BITC will appoint a technical advisor who will assist with implementation of the SEZA once the Bill is passed by Parliament. The implementation of SEZs will be phased starting with the SSKIA site and possibly two other sites based on the low complexity of implementation and the readiness to create substantial job opportunities.

BITC will lobby for the introduction of a business facilitation law that would ensure a smooth acquisition of government authorisations in line with the successful and progressive countries that we compete with for investment.

APPRECIATION

On behalf of the Board, Management and staff of BITC, I wish to extend our gratitude to all BITC's key stakeholders that continue to collaborate with and support our endeavours to deliver on our key national mandate. The Foreign Embassies in Botswana and our Embassies abroad have supported BITC to deliver impactful investment promotion initiatives over the past year. Our appreciation also goes to the World Bank and the EU's Centre for Enterprise Development (CDE) for financing four (4) BITC projects in the period under review to the amount of P4million. I'm equally thankful to my Team for their contribution to BITC's progress and the Ministry of Trade and Industry for their continued support.

I would like to conclude by acknowledging the private sector and BITC clients for their active participation in Botswana's economic development and our shared vision to deliver a diversified growing and sustainable economy for Botswana.

Letsebe Sejoe
Chief Executive

EXECUTIVE TEAM



Left to Right

Sitting: Esther Norris, Emelda Phokoletso, Keletsositse Olebile

Standing: Lonely Mogara, Reginald Selelo, Letsebe Sejoe, Reitumetse Aphiri

ESTHER NORRIS**Executive Director, Brand Management**

Esther is responsible for Brand Botswana and BITC's corporate brand.

EMELDA PHKOLETSO**Executive Director, Shared Services**

Emelda is tasked with organizational development strategies overseeing the organisations Finance, HR and ICT to support BITC services.

KELETSOSITSE OLEBILE**Executive Director, Strategy & Competitiveness**

Keletsositse is responsible for Policy and Market Research, Strategy Development, Policy Advocacy, Stakeholder Engagement and Performance monitoring.

REGINALD SELELO**Executive Director, Business Facilitation**

Reginald's key responsibility within this role is to facilitate the establishment, retaining and expansions of investment in Botswana as well a contribution to a conducive business environment in Botswana.

REITUMETSE APHIRI**Executive Director, Investment Promotion**

Reitumetse Aphiri is responsible for promoting investment opportunities in Botswana, attracting both domestic and foreign investments into targeted growth sectors and providing information to assist in advocating for change in the investment climate in Botswana.

LONELY MOGARA**Executive Director, Special Economic Zones**

Lonely is responsible for execution of the Special Economic Zones Program.

THE BOARD AND GOVERNANCE

THE BOARD OF DIRECTORS IS A GOVERNING BODY APPOINTED BY THE HONOURABLE MINISTER OF TRADE AND INDUSTRY.

It is the governing body of the organisation charged with governance, risk management and financial reporting responsibilities. The Board determines the policies and causes of action for giving effect to the objects and purposes of the Centre as per the BITC Act. In the year under review, the BITC Board comprised eight Non-Executive Directors as set out below:

BOARD OF DIRECTORS

Mr. Victor Senye	Chairman
Ms. Ethel Matenge – Sebesho (retired)	Vice Chairperson
Ms. Banny K. Molosiwa (resigned)	Member
Mr. Terence Dambe	Member
Ms. Wilhemina T. Makwinja	Member
Mr. Christopher R. Garland	Member
Ms. Ellen Richard– Madisa	Member
Ms. Esther Kanaimba–Senai	Member
Ms. Peggy Serame	Member

BOARD SUB-COMMITTEES

The Board has the power to establish sub-committees as it considers necessary to assist it in the performance of the functions of the Centre. The BITC Board comprises of the following subcommittees:

Audit Committee

The purpose of the Committee is to assist the Board of Directors in fulfilling its responsibilities for the financial reporting process, the system of internal control, the audit process, and the Company's process for monitoring compliance with laws and regulations and code of ethics. The Audit Committee derives its mandate from the Audit Committee Charter.

Members: C.R. Garland, W.T. Makwinja and E. Richard-Madisa

Remuneration Committee

The role of the Remuneration Committee is to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders in the Centre by ensuring that employees of the Centre are appropriately and

“The Board determines the policies and causes of action for giving effect to the objects and purposes of the Centre as per the BITC Act.”



equitably compensated for their services to the Centre and motivated to perform to the best of their abilities in the interests of all stakeholders. The Committee also provides advice and makes recommendations to the Board to enable it to discharge its responsibilities, having regard to the law and the highest standards of governance.

Members: E. Matenge-Sebesho, W.T. Makwinja and C.R. Garland

Board Tender Committee

The Tender Committee assists the Board of Directors in the performance of the functions of the Centre that are concerned with the fulfilment of the Board's responsibility. They ensure that there are adequate guidelines, controls, measures and standards to regulate the procurement of goods and services that are consumed by the organisation in order to undertake its daily business activities.

There is also an established Internal Tender Committee that reports to the Board Tender Committee. The Tender Committee meets regularly to evaluate, adjudicate and award tenders. The Tender Committees are

guided by the Financial Regulations and the Procurement rules and regulations.

Members: T. Dambe, E. Kanaimba-Senai, B.K Molosiwa

INTERNAL AUDIT FUNCTION

The role of Internal Audit within BITC is to provide an independent and objective overall assurance to the Audit Committee and Executive Management on the effectiveness of the Centre's control environment. It also identifies key risks hampering BITC from achieving its objectives and makes recommendations on how best the risks can be managed. The Internal Audit's purpose, authority and responsibility have been formally defined in an internal audit charter that was approved by the Audit Committee. Risk based plans have been put in place to determine the priorities of the internal audit activity which are consistent with organisational goals.

The Internal Audit function undertakes the role of assuring the Board that BITC management has

performed its duties in accordance with the BITC Act. It also assures the Board that there is adherence to internal controls and policies and that there are continuous improvements to the Centre's risk management, control and governance structures.

RISK MANAGEMENT

BITC Board of Directors recognises risk management as a fundamental element of corporate governance.

Management is responsible for establishing and operating the risk management framework on behalf of the Board. The Risk Management function within the Risk and Compliance department established the Risk Management Framework for BITC.

The assessment and management of risks has enabled a creation of a more risk-focused culture, standardised risk reporting and encourages efficient use of resources.

OPERATIONAL AND FINANCIAL REVIEW

IN THE YEAR UNDER REVIEW, THE GOVERNMENT'S SUBVENTION ALLOCATED

TO BITC GREW BY P23,9 MILLION FROM P87,8 MILLION IN 2014 TO P111,7

MILLION IN 2015. THIS GROWTH IS REFLECTIVE OF CONTINUED EXPANSION OF

OPERATIONAL ACTIVITIES INCLUDING THE LAUNCH OF A MAJOR MARKETING

CAMPAIGN ON INTERNATIONAL TELEVISION STATION: CNBC.

The increase in the Government grant is substantially less than the required level to sustain BITC's increased operational activities. The funding shortfall continues to be a challenge for the organisation. BITC therefore continues to explore ways to overcome this in the future.

The Centre's performance is evaluated against key strategic deliverables from a triple bottom line perspective, encompassing social, economic and progress made on advocacy issues to improve the ease of doing business. The return on investment for the period under review was 42 Pula per Pula spent on the attraction of foreign direct investment – a significant increase from 38 Pula recorded at the end of March 2014.

The improvement in performance is testament to all the hard work and progress that BITC has made towards transformation into a 3rd generation Investment Promotion Agency.

COLLABORATIONS AND PARTNERSHIPS

During the past year the Centre identified a number of key activities where there was potential to collaborate with other organisations with similar and complementary mandates.

Four projects were financed through these arrangements resulting in cost savings of P4 million. This is reflective of BITC's commitment to finding innovative and creative ways to finance operational activities and reduce dependence on Government funding.

SUPPORT FUNCTIONS

BITC's support services are provided to the core business units by four departments that make up the Shared Services Unit: Organisational Development, Finance, Information Technology and the Procurement departments.

The Shared Services Unit is guided by carefully laid out systematic processes and procedures to control risk whilst carrying out its responsibilities.

ORGANISATIONAL DEVELOPMENT

Human Capital Management continues to be a major contributor to driving the performance of the organisation. BITC strives to create an environment of growth and support and hence the individual security, work-life balance and comfort of employees has been subservient to achieving the "sale."

A deliberate decision by management to focus on improving conditions of service and setting an appropriate pay structure as a way to stimulate and motivate people to perform is now paying dividends.



The return on investment for the period under review was 42 Pula per Pula spent on the attraction of foreign direct investment – a significant increase from 38 pula recorded at the end of March 2014.

The investment into developing Human Capital Strategies that resulted in the development of the Cultural Framework and the Competency Framework has begun to show positive signs and we believe this will continue to be demonstrated by the improvement in individual employee performance as well as in the overall organisational performance.

**INFORMATION
COMMUNICATION
TECHNOLOGY
MANAGEMENT**

BITC views itself as a transformational and technology-led organisation that is at par with the best in the global

market. Through the development of the Information Technology Strategy during the period under review, a foundation has been laid to engage technology to enable employee mobility to expedite and verify advice.

Technology is also used to build and maintain relationships with our target market, conduct research, and find opportunities and manage our suppliers to attract maximum investments with low friction on core process execution.

Information is integrated to provide quick convenient access to all relevant data.

This assists in decision-making speed and elimination of unnecessary delays.

**APPOINTMENT OF CHIEF
OPERATIONS OFFICER**

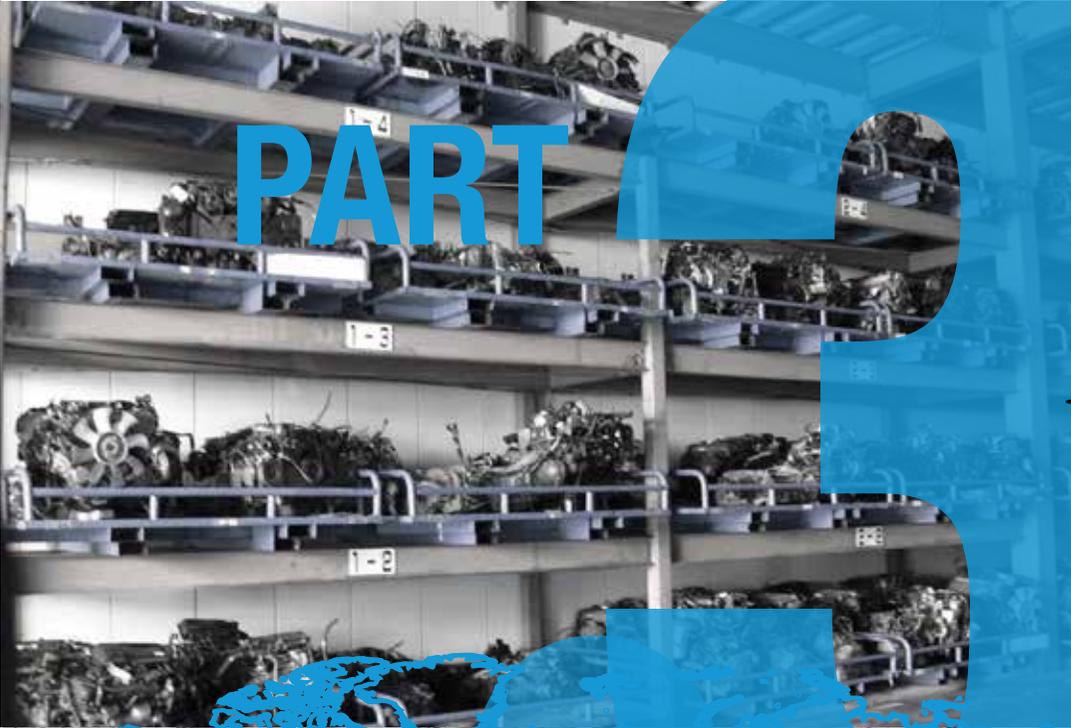
Meshack was appointed to the position of BITC’s Chief Operations Officer (COO) on March 9, 2015.

In his role, he will lead and direct the delivery of services to clients and ensure that business facilitation, investment and export promotion strategies are fully optimised. He is also responsible for building and maintaining a positive image of our country through the Nation Brand portfolio that falls within BITC’s mandate.

Prior to joining BITC, Meshack held senior leadership positions in various industries including in the Fast Moving Consumer Goods (FMCG), Mining, Oil & Gas, Health Services and Consultancy fields.



Meshack Tshekedi



PART

PERFORMANCE



AUTOMOTIVE & COMPONENTS MANUFACTURING

BOTSWANA IS A STRONG AND GROWING SUPPLIER OF VEHICLE PARTS AND COMPONENTS TO THE REGION. PRODUCE FROM THE COUNTRY IN THIS SECTOR IS DEVELOPED AND EXPORTED PARTICULARLY TO AFRICA'S LARGEST AUTOMOTIVE MANUFACTURING MARKET IN NEIGHBOURING SOUTH AFRICA. SOUTH AFRICAN AUTOMOTIVE MANUFACTURERS PRODUCED OVER 570,000 VEHICLES IN 2014, AND THIS IS EXPECTED TO DOUBLE BY 2020 TO 1.2 MILLION UNITS, THUS INCREASING THE DEMAND FOR PARTS AND COMPONENTS FROM SOUTH AFRICA'S NEIGHBOURING COUNTRIES. THIS IS ON THE BACK OF THE COUNTRY'S AUTOMOTIVE PRODUCTION DEVELOPMENT PROGRAMME.

Botswana, similarly, has a programme developed with the aim of ensuring increased support for and growth of the automotive industry on home soil. Established on the 1st of September 1995, this comes in the form of the Motor Industry Development Programme (MIDP). The MIDP has been reviewed twice since its introduction.

The MIDP is a Southern African Customs Union (SACU) Programme designed to develop the motor vehicle and automotive component manufacturing industry in the region.

The MIDP is designed for manufacturers of motor vehicles and components destined for export outside the SACU region. Participation in the MIDP is on a voluntary basis.

Given the demonstrability, stronger and increasingly larger market of South Africa, why should investors in the automotive and components manufacturing industry choose then to set up in Botswana rather than

South Africa? A myriad of reasons exist to bolster the demand from Botswana in this space.

Not only do investors in Botswana enjoy one of the most competitive manufacturing tax regimes in the region, no foreign exchange controls enabling remittance and full repatriation of profits and dividends and no restriction on business ownership, the country also generally enjoys exceptionally harmonious labour-employer relations. The labour intensive nature of such parts manufacturing industry ensures strong employment creation within Botswana against these amicable labour-employer relations.

This is a key advantage as it allows for timely and uninterrupted supply of parts to the major automotive manufacturing plants in South Africa, many of which are no more than 350km away. Access and convenience are prime factors. Doing business with Botswana, in this case, has proven to be highly beneficial over the years.

Moreover, the recent expansion of Botswana's ignition wiring set exports is testimony to the potential of the country's component manufacturing sector. Ignition wiring sets are developed locally in Gaborone. Botswana only started supplying the South African market with ignition wiring sets in 2009, taking on competitors from Thailand, Philippines, the US, Germany and Romania.

Today, more than half of all ignition wiring sets imported to South Africa are manufactured in Botswana. The industry continues to enjoy tremendous growth potential, serving as a key contributor to the country's reputation for manufacturing capabilities.

STRATEGIC RESEARCH

BITC MAKES USE OF STRATEGIC RESEARCH TO INFORM THE STRATEGIC DIRECTION, INITIATIVES AND ACTIVITIES OF THE ORGANISATION. THIS IS DELIVERED THROUGH SURVEYS AND CONTINUOUS MARKET INTELLIGENCE.

ADVOCACY & EXTERNAL CUSTOMER SURVEY

BITC carried out a two-pronged advocacy survey to assess the aftercare environment in Botswana as well as to solicit views from the business community on how they regard BITC's services. The objective of the advocacy survey was to gather investor perceptions on the current economic environment; identify key issues that needed policy intervention; as well as to establish a baseline from which BITC can measure progress on investment and other related issues. The target population for this study was both manufacturing and services companies, particularly the financial and business services companies resident in Botswana.

Out of around 250 companies targeted by the advocacy survey, a total of 163 companies were surveyed. The results that follow in the analysis were based on the 76 companies that responded.

These companies generated a combined turnover of BWP3,3 billion and created 6,030 employment opportunities in 2013. The biggest employers were Tati Nickel with 771 employees, followed by Bokomo with 700. In the next three years, these companies are expected to expand their investments by BWP456 million, creating 1,339

additional employment opportunities. However, some respondents did not share their expansion plans largely because their visas and work permits are rejected by the authorities; as such they are not certain on whether their businesses will still be located in Botswana.

The survey concluded that a lot of problematic factors continue to hinder the private sector, and it is evident that the business environment has created many uncertainties around future business growth.

A number of these problematic areas were mostly administrative, raising the need to re-examine Government procedures as well as develop a coherent/coordinated policy environment that will support business. Although Government has committed to improving the business environment by establishing certain structures such as the Doing Business committee, their effectiveness is severely hampered by the country's continued decline in Doing Business performance.

The reform roadmap, including policy recommendations by the OECD Investment Policy review report of 2013 which calls for structural reforms on infrastructure should receive the highest priority. These reforms include opening up of the electricity market for the private sector to compete

with Botswana Power Corporation; and developing a PPP Act and Regulations, amongst others.

MARKET SURVEY RESULTS: NAMIBIA AND ZIMBABWE

In its effort to achieve the export development and promotion mandate, BITC carried out market surveys in Namibia and Zimbabwe respectively in 2014. This was subsequent to the Export Audit that was done in early 2013, aimed at gauging the standards and volumes the locally produced goods have in relation to the international standards and their export potential.

The market surveys sought to explore and develop entirely new (non-traditional) markets, while at the same time enhancing the existing market access for Botswana exports into the two countries. This was in terms of understanding the market size, consumer tastes and preferences, prices, and barriers to entry as well as competition matters. Specifically, the surveys surfaced prevailing import and export conditions through analysis of the following:

- production, consumption, foreign trade regional demographic differences, trends, etc;



- market access requirements: (prevailing tariffs, preferential tariffs and trade agreements)
- measures directly affecting imports in the host country: (registration, customs procedures, import prohibitions and licensing, Government procurement, local-content requirements);
- market entry strategies: (prices prevailing in the markets, distribution channels, market dominance/concentration);
- sales promotion (information relating to trade fairs, media, advertising etc);
- market prospects, outlook and risks;
- potential importers/distributors or joint-ventures and list of useful addresses and contacts;
- and coming up with recommendations to address the constraints in the markets.

In summary, the research project has identified specific products for Botswana in Namibia. This is in addition to the products already being exported to that country; these being: plastic ware, wooden roof trusses, door and window frames, chloride batteries and others. There is, however, major competition from South Africa's products and from manufacturers in Namibia.

There are restrictions in some goods in terms of imports into Namibia and importers are required to apply for specific licenses from the required authority e.g. pasta, controlled petroleum products, explosives, diamonds and others. The market will, however, not be easy to penetrate given the almost complete lack of knowledge about what Botswana has to offer, the dominance of South African companies and brands, and the difficulties around transport. The cost of transport in Namibia is extremely high as it builds in an additional leg through to Johannesburg to collect a return load.

Botswana has its presence in Namibia through some reputable

companies. Given that Namibia and Botswana are both members of the SACU, goods are traded between the countries free of tariffs. Both are members of SADC, and both countries enjoy a good trade relationship, e.g. sharing of the EFTA meat quota between themselves. Labelling regulations for pre-packaged products require that the name and place of business of the manufacturer, packer, distributor, importer or retailer be specified on the package. Overall, success in the Namibian market will require attention and persistence. Given the unique challenges faced by Botswana in this market, a key area of focus will be how exporters in Botswana package and present an offer to Namibian buyers that represents a viable and competitive value-proposition.

Results from the survey also indicated a demand for some products in Zimbabwe like green bar soap, beef and beef products, cosmetics, door and window fitting frames, chemicals, plastic ware, blankets etc. Nevertheless, there are some restrictions in some goods like agricultural and horticultural produce,

STRATEGIC RESEARCH (CONTINUED)

plants and plant products, as well as hazardous substance within the normal trade policy designs.

On average, the Zimbabwean market is dominated by South African suppliers too. As per Botswana/Zimbabwe Trade Agreement, goods originating from either of the trading partners are exempted from payment of customs duties on condition that the goods meet a minimum 25% local content. Excise duty and local taxes, such as VAT, are payable where applicable. As with most other countries, labelling regulations for pre-packaged products require that the name and place of business of the manufacturer, packer, distributor, importer or retailer be specified on the package.

Access to the market from Botswana is simple. Companies wishing to export into the Zimbabwe market can strategically locate in Francistown to leverage on the close proximity (200km from Bulawayo), essentially making it the closest manufacturing hub to this key market. Finally, the market in Zimbabwe is certainly one in which manufacturers from Botswana should be able to play a

meaningful role. They have products that are suited to Zimbabwe, an advantageous location and a receptive market. However, it must be borne in mind that Zimbabwe remains a fragile country, with a fluid economic outlook. As such, whilst the opportunities are definitely available, they must be thoroughly scrutinised in order to minimise risk. Strategic partnerships between Botswana and Zimbabwe traders and Botswana exporters will be a key factor, as will the consistency of supply and aggressive marketing campaigns.

Efforts to undertake similar surveys continue. In 2015 market surveys are billed to take place with a focus on Angola and Zambia, respectively. These have the same aim of understanding prevailing conditions and ultimately surfacing modalities to access these markets. Plans are in place to extend work to other strategic markets which are currently being identified through the decision support model-a pioneer approach. This seeks to identify key market (country)-product combinations for export development and promotion.

STAKEHOLDER SURVEYS

An external brand awareness survey was conducted during the last quarter of 2014/15 to analyse current perceptions around the BITC brand. The overall objective of the External Brand Awareness Survey was for BITC to assess the extent to which its products and services are known to BITC's local targeted stakeholders. Branding is much more than just a logo. Overall, it is the intentional declaration of what the Company is and why your customers should put their faith in your services and products. A brand becomes valuable when people start to have positive expectations about it. It makes their decisions easier and enhances the value and satisfaction they derive.

With this in mind, the survey methodology was both exploratory and descriptive, premised on a sample of 129 respondents. Generally, more than half of the respondents were aware of the BITC brand but hold different perceptions around its core principles. Arguments advanced for differentials in customer perceptions ranged from those that





felt that the brand was simple and clear (34%) while others said it was not communicative (21%).

It is therefore crucial for BITC to find the best tools for increasing the abilities of customers to recognise and recall (brand awareness) the BITC brand by using preferred media.

The survey recommended a number of initiatives that BITC should explore, including:

- Holding country-wide seminars annually. People appreciated receiving information at first hand and this has proved the easiest way of explaining the mandate and services of BITC;

- Regular feedback to BITC customers;
- Use of media - TV, radio and other mediums such as social networks - to enhance BITC's image.

GLOBAL EXPO BOTSWANA

Exhibitor and Visitor surveys were conducted during the Global Expo 2014, with a view to gauge the level of business generated during the Expo and determine the level of service derived from utilising GEB services by both exhibitors and visitors. One of the key areas covered by the survey was the level of expenditure to be incurred by exhibitors during

the Expo. According to the survey, exhibitors anticipated spending around BWP3,6 million on items that would make their participation successful, including transport, accommodation, food, hiring of stall and other miscellaneous activities such as entertainment etc. On accommodation, transport and food, exhibitors indicated that they would spend close to BWP900,000 while the rest was spent on other activities.

Below are highlights of the survey results for Global Expo 2014.

- Exhibitor Survey
- Of the 98 Exhibitors interviewed, 42 anticipated concluding business deals worth P1,741,079,100.00

STRATEGIC RESEARCH (CONTINUED)



PERFORMANCE

- 17 indicated that they had managed to negotiate or place orders to the value of P301,356,008.00; and
- 20 companies expected to conclude further business deals worth P 511,508,000.00 after the Expo.

b) Visitor Survey

- Of the 269 visitors interviewed, 46 said they intended to place or negotiate orders to the tune of P32,639,020.00;
- Of these, 20 managed to negotiate or place orders valued at P4,590,560.00 during the Expo; and
- 31 respondents expected to conclude business deals worth P39,536,500.00 after the Expo.

MARKET INTELLIGENCE TOOLS

During the review period, BITC continued to utilise market intelligence tools, specifically subscriptions to FDI markets and BMI. Through these tools, Research managed to enhance information sharing on investor signals and company tracking and market risk analysis as well as on the use of economic indices amongst others. Regional Offices were also assisted in subscribing to a large database of potential companies as BITC embarked on its promotional activities. This worked to enable better interaction with potential investors through various forums. The Indian office subscribed to IIA.

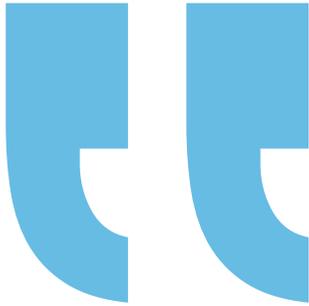
BITC continuously sees the need to provide capacity building and as such, two officers were trained on the use of the FDI market tool. Further to that, BITC managed to secure an agreement with BMI Research for them to facilitate tracking of usage of the BMI tool through creating passwords for users. Through market intelligent tools, Research was also able to assist various Departments with investor signals.

VALUE PROPOSITIONS/ SECTOR PROFILES

Sector value propositions are at the core of Investment Promotion. They accord BITC an opportunity to market the country's offering in an appealing manner. In an effort to promote the country's sectors, BITC completed development and packaging of the beef value proposition in-house during the review period. The value proposition was developed parallel to development of the beef value chain proposition that was conducted through Centre for Development Enterprise (CDE). The two value propositions are still to be piloted and this will be done in the next financial year.

In an effort to build internal capacity, BITC has collaborated with the CDE to develop a further two sector value propositions in the areas of Information Communication Technology (ICT) and Mineral beneficiation, with an emphasis on Soda Ash beneficiation. The project initially started as an output-based consulting exercise, but as it progressed CDE mandated the sector experts to include some capacity building for the BITC team. The collaboration effort has been fruitful and both teams continue to work on the value propositions.

Further work needs to be carried out on mapping the ICT sector, as well as identification and profiling of local companies by the ICT sub sector for joint partnerships with foreign investors. Going forward, the team will draw the line on the essential information required to complete the sector profile.



BITC significantly contributes to improvements in the investment climate through policy advocacy aimed at ensuring facilitation of a competitive business and investment climate and to foster greater economic activity.”

The Soda Ash sector has been the most challenging, owing to the fact that initially it took a while for the sector to be confirmed for scoping, and secondly because there is only one major player (BOTASH) who can provide the required primary data for analysis.

Beyond the completion of this exercise in the next financial year, there is need to target and engage investors so as to share these packaged opportunities.

DECISION SUPPORT MODEL

To continuously explore new ways that will enhance efficiency and competitiveness for Botswana. It was in this regard that BITC undertook a fact finding mission to North West University (NWU) in Potchefstroom, South Africa to find out more about an interactive tool called the Trade DSM Export Navigator. The objective was to explore the development of this tool for Botswana. The trade DSM Export navigator is a user-friendly interface and helps the user to select and compare different/alternative realistic export opportunities (REOs) for a country using a justifiable method or approach.

The DSM model was first developed by Prof. Ludo Cuyvers in 1995 for Belgium. The pioneering work of Prof. Cuyvers came after the realisation that countries had to allocate scarce resources among competing export promotion strategies and activities. He thus designed a model that addresses these constraints through elaboration of new economic instruments capable of designing more realistic export opportunities (i.e. product-country combinations) rather than ‘broadcasting’ market access efforts.

The following benefits of the model, once it is in place for the country, were highlighted during the presentation:

- It provides a focused and scientific approach to identifying and prioritising export opportunities;
- It is the only market selection methodology that includes all possible product-country combinations;
- The model caters to those wanting to grow their business in existing markets and/or access new markets;
- It helps to accelerate companies’ export expansion plans as it encourages a more streamlined allocation of resources;
- It adds value to Governments’ export promotion efforts;
- The model also assists to identify investment opportunities in products and sectors;
- It has the potential to help the private sector in its strategic decision making;
- In the end BITC will have an interactive software platform that provides realistic product-country combinations showing possible returns in value, competitors and similar intelligence in the international trade arena;
- BITC, armed with product-country combinations, will do subsequent market surveys more easily which will enhance the current market survey approach.

Countries/Trade and Investment Promotion Agencies using DSM:

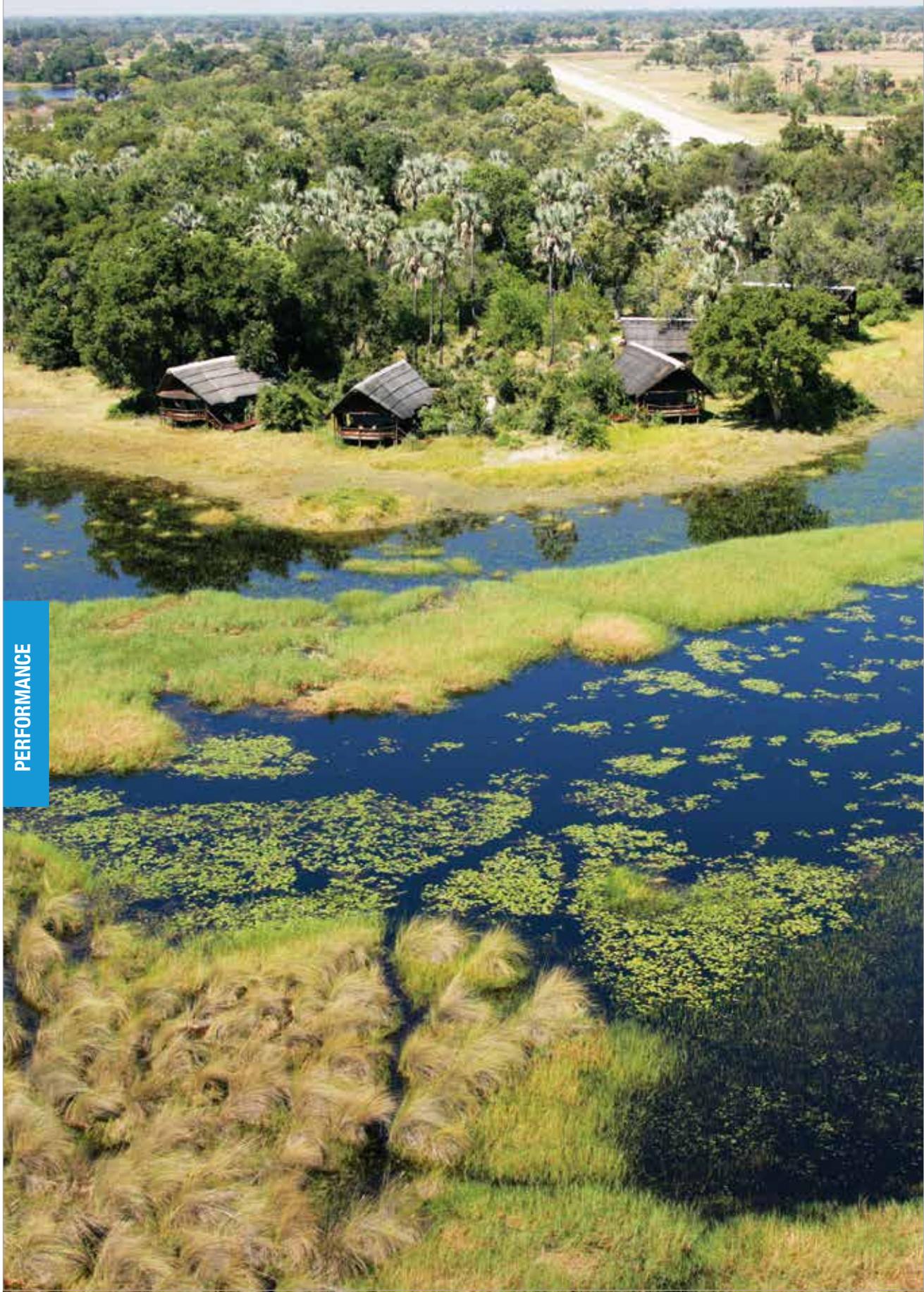
- Belgium from 1995
- Indonesia
- Thailand
- South Africa
- Netherlands (2014)
- Regional Economies: North West province, Western Cape- Wesgro on economic realities of the provinces, manufacturing

strategies for the provinces based on industrial clusters and export opportunities including marketing strategies for Wesgro in Nigeria.

BITC’s key learnings from the DSM

- The DSM is a demand-driven tool and it is dynamic. You can modify the filters to meet the requirements of BITC e.g. if certain markets are considered too risky but are of priority to Botswana, the Commercial Risk ratings could be adjusted accordingly.
- The model takes into account both qualitative and quantitative data e.g. revealed barriers to trade (tariffs, NTBs etc.) into one index and Standards.
- A dashboard from the model can be developed for Botswana. Where information is difficult to obtain, the team has an option to undertake a detailed assessment through a study to identify the export dynamics, level of sophistication of the country’s exports and diversification prospects amongst others – as in the case of Netherlands.
- Botswana data does not currently meet the standards to develop the DSM model as it is incomplete. BITC needs to engage further with Statistics Botswana to remedy this anomaly. Alternatively, BITC could check with SACU Secretariat from SACU data (CET) or comparator data from ComTrade data could be used.

The development of the model is expected to be completed during the 2015/16 financial year.



PERFORMANCE

POSITIONING BOTSWANA AS THE INVESTMENT DESTINATION

DURING THE YEAR UNDER REVIEW, BITC INVESTMENT PROMOTION EFFORTS WERE GEARED TOWARDS INVESTMENT GENERATING ACTIVITIES, LEVERAGING ON PAST SUCCESSFUL AWARENESS CREATION ACHIEVEMENTS IN TARGETED MARKETS. IN ADDITION, INVESTMENT PROJECTS WITH HIGH EMPLOYMENT GENERATION CAPABILITY WERE PRIORITISED.

INVESTMENT PROMOTION (CONTINUED)

FOREIGN AND DOMESTIC INVESTMENT

BITC attracted 46 companies which had an interest in investing in Botswana. These companies, which originate from various countries around the world including South Africa, India, Canada, United Kingdom, Zimbabwe and China, are involved in various sectors. These include manufacturing, business and financial services, retail, automotive component manufacturing, agriculture, mining, engineering and construction.

Actual total capital investment realised by BITC-assisted companies during the period under review was impressively well over the P3 billion mark at P3,2 billion, with 3,316 jobs created. Of the P3,2 billion recorded, the Foreign Direct Investment (FDI)

companies raised a total investment of almost P1,5 billion with a combined capital investment from both Domestic Investment (DI) and Expansions of P1,7 billion.

OUTWARD INVESTMENT PROMOTION MISSIONS

The overarching market approach behind the BITC investment promotion strategy is to match opportunities in growth sectors in Botswana with potential investors in the targeted markets and investors' appetite for outward investment. BITC has categorised markets into tiers 1, 2, and 3 according to (i) exposure of the market to Botswana, (ii) BITC's past engagement with the market, and (iii) attractiveness of the market as a source of FDI based on available key markets insights.

During the review period, BITC embarked on 15 outward trade promotion missions in countries such as Kenya, South Korea, Philippines, Poland, Turkey, China, South Africa, India, Singapore, Mozambique, Germany, and Lesotho. From these missions, at least 49 contacts were made covering sectors such as textile, innovation, technology, mining, agribusiness, energy, cargo and logistics, pharmaceuticals, cosmetic, jewellery manufacturing, and health. Visits were also made to diplomatic missions.

To ensure the success of these outward missions, BITC leveraged some of the strategic alliances in its portfolio of stakeholders. Several joint venture initiatives were proposed between Botswana-based companies and foreign-based entities. In addition,





various major projects in the health and energy sectors have already been projected for set up in Botswana, and it is anticipated that these projects will commence in the foreseeable future. These projects will bring specialist services and up-stream/down-stream value addition activities to Botswana.

INWARD INVESTMENT PROMOTION MISSIONS

BITC also had the opportunity to host a number of inward missions undertaken by various foreign-based diplomatic offices, embassies and companies. The missions included countries such as Italy, Brazil, the United States of America, Ethiopia, Mauritius, Burundi, Russia, Finland, Poland, Singapore, Kenya, South Africa, South Korea and Germany.

The inward missions provided BITC with a golden opportunity to expose foreign markets and companies to business opportunities in Botswana, as well as exploring opportunities for Botswana business to identify possible strategic partners in foreign countries. Several companies visited Botswana as a follow up exercise from the outward missions undertaken in the various markets.



The inward missions were highly successful with BITC being able to establish new contacts, and generating leads of companies interested in doing business in Botswana. At least 43 contacts were established during these inward missions and BITC continues to follow up on the leads generated in order to convince these companies to ultimately invest in Botswana. Sectors of interest included health, agriculture, energy, mining, cosmetics, technology, and manufacturing.

INVESTMENT PROMOTION STRATEGIC INITIATIVES

BITC Sector Value Propositions and Investment Strategy

BITC embarked on a strategic project to develop value propositions for the cargo/logistics, agribusiness (leather), as well as automotive components manufacturing sectors. Most importantly, the project also entailed the development of an

INVESTMENT PROMOTION (CONTINUED)

investment promotion strategy. This exercise was part of the new strategic approach BITC has adopted in transforming itself into a third generation investment promotion agency, with the aim to promote well-packaged opportunities for investment into Botswana.

The objective of the project is to ensure that BITC is able to strategically market and position Botswana to leading micro and multinational corporates and C-suite decision makers in order to increase the prospects for attracting capital, investment, technology and intellectual property into Botswana, and ultimately assisting in building diversified sectors of the economy.

Through this exercise, BITC seeks to gain greater market understanding, strategic insights, and to create pragmatic and achievable market entry strategies for companies. It also

enhances engagement with potential investors and decision-makers, enabling them to consider locating in Botswana more favourably. Execution of these strategies will ensure top-level access into corporate networks in targeted and prioritised markets.

Essentially, this project initiative was to deliver on three key elements: sector landscaping (profiling); insight-driven value propositions for each sector; and formulation and implementation of the investment promotion strategy. The investment promotion strategy clearly articulates a focused investor targeting investment promotion model, identifying specific markets and companies for targeting for FDI. The strategy has also established a well thought out route-to-market with key strategic marketing initiatives to position the country and selected sectors. It will be executed in the coming financial year.

SOUTH AFRICA MARKET

Investor Targeting

Follow-ups were conducted in the form of plant visits as well as one-on-one engagements with all investment leads in the BITC RSA office's pipeline throughout the year.

During this period, an auto component manufacturer from the Republic of South Africa (RSA), partly owned by one of the states/provinces in Malaysia which produces wire harnesses for Nissan and VW vehicles, was at an advanced stage of setting up a P52 million plant in Botswana. This is being financed by one of Botswana's development finance institutions. This move was made possible primarily because of Botswana's liberal, predictable, competitive macroeconomic environment, coupled with stable labour relations. It is envisaged that this plant will occupy the former Lobatse Tile Plant and employ 500 employees on inception, and up to 800 employees at full potential.

Through the Polish Trade Office in RSA, a consortium of Polish doctors explored the possibilities of conducting cardiology procedures in collaboration with Ministry of Health. BITC recently undertook a due diligence trip to Poland in this regard, and this is also at an advanced stage of setting up in Botswana.

As at end of financial year, a tyre recycling plant whose promoters are from RSA was in discussions with a local development finance institution for a P50million project which is envisaged to employ 30 people directly and 300 indirectly.

The indirect employees will be paid per kg for tyres submitted for recycling. This project will be of immense benefit environmentally, and will target mining, commercial, and passenger vehicle used tyres.

A Pan African company with varied interests in RSA, Ghana, Mauritius and Namibia expanded its already existing steel plant in Botswana to the value of P10 million and moved P200 million worth of assets from the Mauritian holding company to the Botswana operation.

PERFORMANCE

BITC significantly contributes to improvements in the investment climate through policy advocacy aimed at ensuring facilitation of a competitive business and investment climate and to foster greater economic activity.”

RSA Automotive Week

BITC participated in the RSA Automotive week from 13-17 October 2014 to target auto component manufacturers on show to consider Botswana as an alternate investment destination. As a consequence of BITC's participation in this initiative, the RSA Office is now in a better position to target investors in this sector through established contacts, especially now that a clear-cut value proposition in this regard for the Botswana market is being finalised.

Stakeholder Engagement

Several Stakeholder engagement initiatives were held throughout the year with, among others, Taiwan Trade, the Portuguese Embassy, the Singapore Trade Office, the Italian Chamber of Commerce, the Non Renewable Energy Association of RSA (SESSA), and Spanish Trade.

Export Promotion

The RSA Office, in collaboration with the Export Development and Promotion Department, ensured a country pavilion was set up for the South Africa International Trade Exhibition from 22 to 24 June 2014. A total of eight light industry manufacturers from Botswana exhibited with the intention to initiate export orders and consolidate their market in RSA. As a result, some are already servicing the RSA market.

UK MARKET

Stakeholder Engagement

Throughout the year BITC UK Office looked at ways of generating additional exposure and as a result identified several different multipliers that help organisations with investments into the African continent. The UK Office has engaged with, among others, Invest Africa, British Expertise, Oxford Intelligence and Business Council for Africa, all of which have a strong network of companies that the Office hopes to penetrate. The visual presence of BITC UK Office is also being heightened as the office attends as many events/conferences as possible. In November, for example, the office participated in the annual Going Global event with several companies and other IPAs showcasing their services. It was

an excellent opportunity to raise the profile of Botswana as a place that is open and ready to do business.

The UK is very strong in the Financial Services arena and Africa is attracting a great deal of attention in this market at present. Investment Funds are continually seeking new investment opportunities in several sectors including Renewable Energy, Agriculture, Transportation, Healthcare and Logistics. This offers an excellent opportunity for promoting Botswana and BITC UK Office is therefore engaging with a number of prospective leads including BlueCloud Healthcare and Zenron Consulting.

Promoting Botswana Products

BITC UK has also been involved in export promotion and continues to support companies trying to break into the European market. So, for example, Mabeo Furniture showcased their products at the Milan Design week in April, demonstrating the craftsmanship that exists within the country. BITC UK Office would like to exploit similar opportunities for other companies as well.

European Outlook

BITC UK Office continues to engage with a variety of multipliers including, KPMG, Grant Thornton, Pricewaterhouse Coopers (PwC) and Ernst and Young (E&Y) and also is also endeavouring to develop relationships with other IPAs across the EU market including Scottish Development International, Rotterdam Investment Agency, Oxford Business Group, UK Ministry of Technology and Economic Development, Manchester Investment Development Agency, London Global Association and several over government bodies throughout the region.

INDIA AND ASIA MARKET

The BITC India Office undertook several initiatives to promote trade and investment in Botswana during the review period. The India Office sent 10 companies to Botswana to explore investment opportunities across different sectors such as manufacturing, gems & jewellery,

textiles, finance & banking. Of these, three companies have already registered their businesses in Botswana and are in various stages of initiating activities. Apart from India, BITC also undertook investment promotion outreach programmes to Sri Lanka and Singapore.

Key Contacts & Conversions

There is a great deal of interest about Botswana in India and a number of companies have expressed interest in doing business in the country. M Suresh Diamond and Unipower have already leased space to start their operations, while Baryton Textiles & Garments have initiated their operations.

The India Office made a total of 509 contacts during the year. This was mainly through the Confederation of India Industry (CII); the Trans Asian Chamber of Commerce & Industry; the National Association of Software and Service Companies (NASSCOM) Product Conclave; and the PHD Chamber of Commerce. In addition, this was also through Indo Africa and Korea events including the India Manufacturing Show; the Food & Beverage conference; I for Africa; and Foodtech India. One-on-one meetings were also held.

Future Plans

As a result of the various missions and investment outreach programmes undertaken by BITC, several projects have been lined up. These include manufacturing operations of a range of products including steel, medical products, and sulphuric acid & allied products. The Office is optimistic that the leads generated during the various conferences and business seminars and investment promotion activities will, in the medium to long term, accrue investment benefits to Botswana.

CHOPPIES SUPERMARKETS

WITH 11,000 EMPLOYEES AND 73 OUTLETS IN BOTSWANA, 20 IN ZIMBABWE AND 38 IN SOUTH AFRICA ALONG WITH NEW DISTRIBUTION CENTRES IN SOUTH AFRICA AND ZIMBABWE, CHOPPIES HAS COME A LONG WAY SINCE THE FIRST STORE OPENED IN LOBATSE IN 1986.

BITC has played a significant role in this development over the years, facilitating work and residence permits for employees, expediting licences, as well as facilitating meetings between Choppies and international investors.

BITC also assisted Choppies to receive IFSC certification.

The retailer has now set its sights on expansion into East Africa, particularly into Tanzania and Kenya.





KEMTEK (PTY) LIMITED

FOR THE PAST 25 YEARS, KEMTEK HAS BEEN GROWING ITS REPUTATION AS ONE OF THE LEADING MANUFACTURERS OF ETHNIC HAIR AND SKIN CARE PRODUCTS AND PERFUMES IN BOTSWANA.

Its associate company, Galaxy Aerosols, manufactures aerosol products such as deodorant body sprays.

A family-run business, Kemtek has been a BITC client for many years. BITC has assisted the manufacturer with many issues including work and residence permits, export and export promotion activities, and exemption applications. Today, Kemtek products are increasingly making inroads into other Southern African countries.

Most of the products manufactured in the company's Francistown facility are directed at the consumer mass-market, but Kemtek also produces professional hair care products and "cosmeceutical" skin care products. These have been approved by the relevant medical councils and health authorities in South Africa and Tanzania; and some products have also been registered with the Office of the Registrar of Patents, Marks and Designs in Botswana.



M. SURESH COMPANY LIMITED

BITC IS EXTREMELY PROUD TO
HAVE BEEN CALLED UPON FOR
ASSISTANCE BY M. SURESH

COMPANY LTD, ONE OF THE WORLD'S LEADING MANUFACTURERS, EXPORTERS
AND RETAILERS OF DIAMONDS AS IT SETS UP ITS DIAMOND CUTTING AND
POLISHING OPERATION IN BOTSWANA.

Headquartered in Mumbai, India, the company has offices in all the major diamond trading centres across the globe including in the USA, Belgium, India, Middle East, South Africa, Hong Kong and Israel and its patented "Cushette" cut diamonds are to be found in most of the world's largest jewellery retailers.

Now, thanks to BITC's assistance with the acquisition of a 2000m2 factory shell in Block 8, Gaborone, diamonds that have been cut and polished by M Suresh Company in Botswana could soon be found in stores across the globe.

AFINITAS LIMITED

BITC ASSISTED AFINITAS LIMITED,
A PUBLIC INVESTMENT COMPANY,
TO APPLY FOR BOTSWANA IFSC
CERTIFICATION.

This was granted in December 2014. AFINITAS Limited was set up to take advantage of the growing interest in Africa as an investment destination from large institutional investors. The company recently raised almost P94m via a private placement and IPO. These funds will be used as seed capital for several Africa-focused enterprises, which will become AFINITAS subsidiaries.

Obtaining IFSC certification was of strategic importance to AFINITAS as it allows a tax efficient flow of returns to its investors.

BUSINESS FACILITATION SERVICES

BUSINESS FACILITATION IS A CRITICAL COMPONENT OF AN INVESTMENT

PROMOTION AND ATTRACTION STRATEGY.

PERFORMANCE



BITC has established a Business Facilitation unit in order to assist investors to navigate different bureaucratic and administrative requirements as they work towards realising their investment. Through Business Facilitation, BITC is able to provide support to prospective investors during the investor's location selection, decision-making processes and post investment stages.

The business unit provides assistance and advice throughout the investment process from initial point of inquiry through project approval, implementation, monitoring and aftercare process. In addition, the business unit provides foreign investors and domestic businesses a broad range of free services through which it supports the competitiveness of Botswana's economy and helps to create a favourable business environment for the inflow of foreign investments. The banquet of services is offered through the Business Facilitation Services Centre, commonly referred to as a "One Stop Shop."

BUSINESS FACILITATION SERVICES CENTRE

Since the launch of the Business Facilitation Services Centre (One Stop Shop), the Centre has experienced a steady rise in demand for its services from both existing and potential investors.

During the review period, the One Stop Shop facilitated 277 Government authorisations (visas, work and residence permits, residence, emergency permits, exemptions, company registration and licenses). The BFSC experienced sluggish turnaround times for the issuance of authorisations from the Ministry of Labour and Home Affairs (MLHA) in particular. Only around 126 (45%) authorisations were granted to BITC investors, while 52 (18.7%) were rejected. A further 78 (28%) were still pending within the turnaround time and another 21 (7.6%) were pending outside the turnaround time. Delays in providing the different authorisations resulted in delayed project implementation. The high level of visa and permit rejections forced companies to put their expansion plans on hold.



BUSINESS FACILITATION (CONTINUED)

THE BUSINESS FACILITATION SERVICES CENTRE EXPERIENCED SLUGGISHNESS

AROUND TURNAROUND TIMES FOR THE ISSUANCE OF AUTHORISATIONS FROM MLHA IN PARTICULAR.

Among the major reasons provided for the non-adherence to turnaround times for applications were:

- Delays in security vetting;
- System failure;
- General bureaucracy;
- Staff rotation within the Ministry which has also affected the Liaison Officers assigned to BITC.

In an endeavour to improve the service offering by the One Stop Shop and address some of the challenges outlined above, BITC is involved in constant discussions with different stakeholders about how to improve efficiency in the services provided.

During the last quarter of the review period, BITC signed a Service Level Agreement (SLA) with Botswana Power Corporation (BPC) which seeks to facilitate speedy connection of electricity to investors. The agreement will also enable speedy response to investor queries relating to electricity connection. This SLA is the fourth SLA signed by BITC with key stakeholders. During the year under review, BITC also signed SLAs with the Registrar of Companies and Intellectual Property (ROCIP) and Botswana Unified Revenue Service (BURS). Efforts are underway to sign additional SLAs with other key stakeholders.

INVESTOR AFTERCARE

A total of 83 companies were visited through the BITC Investor Aftercare Programme during the review period. This programme provides an opportunity to fully evaluate the state of the investment climate in Botswana. Among the key areas of concern that emerged from the aftercare visits were:

- Uncertainty around issuance of work and residence permits;
- Access to PPADB tenders;
- Electricity and water rationing;



- Market access despite possession of EDD certificates;
- Poor turnaround times in the issuance of work and residence permits;
- Lack of serviced land for investors;
- The uncertainty around obtaining and/or renewing work and residence permits is of particular concern as it has resulted in companies putting on hold their business expansion plans on hold.

EXPANSIONS

The retention and expansion of existing businesses is a major objective of BITC. Reinvestment and expansions are a significant source of additional foreign direct investment. BITC employs a number of strategies to improve the rate of business retention and expansion. During the financial year, BITC worked with companies to encourage them to expand, seek new markets and overcome potential impediments to expansion. In this regard, during the financial year, BITC registered P1.43 billion worth of expansions which resulted in about 2,429 additional employment opportunities.

STAKEHOLDER ENGAGEMENT

BITC continued with a targeted Stakeholder engagement strategy aimed at maintaining effective partnerships as well as advocate for investors. The engagements have led to a fuller appreciation by the Government agencies of the factors hampering Botswana's competitiveness. More than 10 stakeholder engagement forums/meetings were held during the review period, including an Investor Consultative Forum in October 2014. Meetings were held with, among others:

- Chobe Land Board;
- Mogoditshane Sub-Land Board;
- Palapye Sub-Land Board;
- Tlokweng Sub-Land Board;
- Kgatleng Land Board;
- Department of Industrial Affairs;
- Ministry of Labour and Home Affairs;
- Department of Immigration and Citizenship;
- Department of Environmental Affairs (DEA);
- Department of Lands.

In the coming year, BITC will engage with other key stakeholders such as the eight Immigration Selection Boards across the country as well as other land authorities such as Ngwaketse and Bamalete Land Boards.

COMPETITIVENESS AND ADVOCACY

Among the strategic leverage points for BITC is "Building a Competitive and Attractive Business Environment." In order to achieve this, BITC is mandated with the responsibility of advocating for a conducive business environment. During the review period, BITC developed an Advocacy

Framework which would guide and ensure a systematic engagement of various stakeholders to improve the investment enabling environment.

The framework is anchored on issues that impact negatively on competitiveness and business growth that were highlighted during the October 2014 Investor Consultative Forum as well as the aftercare visits to various companies.

These engagements clearly indicated that there is need for reforms in the decision-making processes and removal of bureaucratic hurdles through process re-engineering. In addition, there is need to approve the Business Facilitation Law to ensure smooth acquisition of Government authorisations in line those in successful and progressive countries such as Georgia, Mauritius and Rwanda, which have made deliberate decisions to reform their investment climate.

PROPERTY SERVICES AND LAND ALLOCATIONS

During the financial year, BITC registered a 23% conversion rate against a targeted rate of 15%. This was achieved through a number of interventions by BITC which included allocation of land, allocation of factory space, provision of work and residence permits and assistance with acquiring necessary company registration.

LAND FACILITATION

Land Allocations

During the year, seven companies were allocated land through BITC Land Facilitation efforts.

Companies allocated land through BITC

#	NAME OF COMPANY	LOCATION
	VR Steel	Jwaneng
	Centrillium	Lobatse
	Pioneer Power	Tlokweng
	Sun Plastics	Tlokweng
	Baagi Concrete Bricks	Tlokweng
	Hatching Eggs	Artesia
	Zola to Zola	Lethakane

At the end of the review period, of the three plots allocated to investors through ground lease in the BITC land bank in Tlokweng, two were at physical planning and permission application stage of development.

During the financial year, discussions were held between BITC and the Ministries of Trade and Industry as well as Land and Housing to come up with strategies to make land available to investors. During this process the MLH identified plots that are available and unallocated in Gaborone, Francistown, Lobatse and Selebi Phikwe. Consequently, in an endeavour to match supply with demand, recommendations for land allocations were made to the Ministry of Lands and Housing.

Land Allocation Waiting List

A total of 20 companies had been waiting for land allocation since November 2012 to March 2015. The value expected from their investment is P1,2 billion with 5,696 jobs expected to be created.

BITC Factory Shells

During the financial year, six companies were allocated factory shells for their investment.

Companies allocated Factory Space in Gaborone

#	COMPANY NAME
	Daheng Décor
	Blue Star
	M Suresh
	KGK Diamonds
	Powerlogic
	Sunita Cables

By the end of the financial year, a further four investors with an investment value amounting to P59 million generating 581 jobs were waiting for BITC factory shell allocation.



DAHENG DÉCOR (PTY) LTD

DAHENG DECOR (PTY) LTD. IS ONE OF BITC'S

MOST RECENT PROJECTS.

This company, which manufactures middle-high end custom-made household and office furniture and spray painted furniture materials, started operations in March 2015.

The factory, which is located at BITC Factory Shell in Block 3 Industrial, Gaborone, not only supplies the Botswana market, but also exports to neighbouring markets.

In addition to assisting Daheng Décor with suitable premises for its factory, BITC also helped the company with its industrial licence application and exemption and residence permits applications.





DEVELOPING AND PROMOTING BOTSWANA PRODUCTS FOR EXPORT

PERFORMANCE

THROUGH LOCAL MANUFACTURERS, BOTSWANA HAS THE POTENTIAL TO EXPORT MORE PRODUCTS TO VARIOUS REGIONS. TO REALISE THIS POTENTIAL, THE FOCUS IS TO INTENSIFY THE BITC EXPORT DEVELOPMENT PROGRAMME.



This will assist, support and prepare manufacturers in terms of improvement of product quality, packaging and increased production, sufficient enough to meet the requirements of potential buyers.

BITC further engages in intensive export promotion to facilitate participation by local manufacturers in regional and international expos with the aim to exposing their products to export markets and thereby increasing their export potential.

EXPORT PERFORMANCE

During the year under review, BITC continued to offer assistance to manufacturers to promote local products in external markets. Export sales to foreign markets reached P1,8 billion against an annual target of P1,9 billion. Failure to reach target was caused by below average export sales of major anchor exports like salt, soda

ash and beef during the first quarter. These same products, however, performed above average in the remaining three quarters of the year.

EXPORT PRODUCT PORTFOLIO

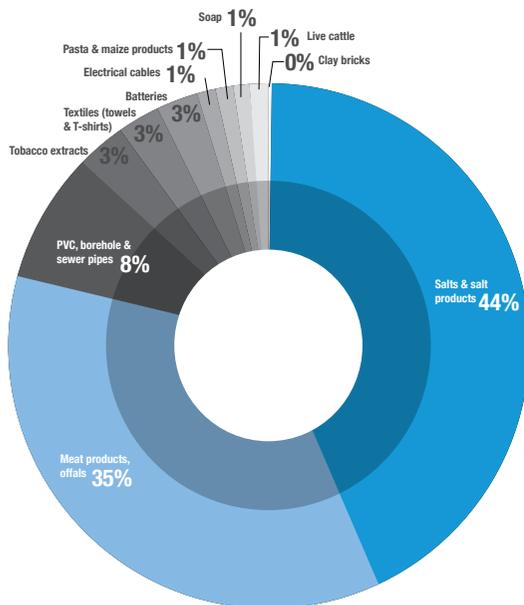
The export basket was primarily dominated by salt and salt products, with the major market being South Africa. Traditional export products of meat and meat products also did well, particularly to European markets, while a variety of other products found their way to other African markets - Mozambique, Namibia, Zambia and Democratic Republic of Congo. The introduction of new products to the export portfolio - including products like farming implements, lounge suites, base mattresses, PVC, pipes, car batteries, bathing cake soaps and cooking oil - resulted in an even more diversified export portfolio.

EXPORT MARKETS

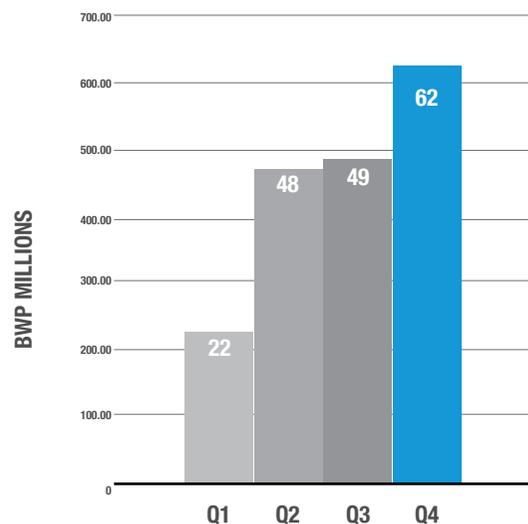
Most export sales during the year were to European markets, followed by exports to South Africa. Generally, the Southern African Development Community (SADC) market is still the preferred market for Botswana manufactured goods after the traditional major European market.

There was significant continued growth of exports to the Namibian and Zimbabwean markets where market review surveys were recently conducted, and also to Mozambique and Hong Kong. The Malawi market, even though largely overlooked in the past, also showed a growing appetite for Botswana manufactured goods. Contemporary furniture products manufactured in Botswana penetrated France, a new market for our manufactured products.

PRODUCT PERFORMANCE



EXPORT PERFORMANCE 2014/15 PER QUARTER



EXPORT DEVELOPMENT & PROMOTION (CONTINUED)

List of common markets and export products

PRODUCTS	MARKETS
Salts and salt products	RSA, Zambia, Zimbabwe, Malawi, DRC
Meat products, offals	UK, Norway, Angola, Zimbabwe
PVC, borehole and sewer pipes	RSA, Zambia, Zimbabwe
Tobacco extracts	Hong Kong
Textiles (Towels & T-shirts)	RSA, Zambia and Zimbabwe
Electrical cables	Namibia
Pasta and maize products	Zimbabwe
Swamp cruiser boats	Zambia, Mozambique, RSA, Namibia
Clay bricks	Zambia, Zimbabwe, RSA, Namibia



PERFORMANCE

TRADE PORTAL

BITC kick-started a project to develop a Botswana Trade Portal by hosting a Stakeholder Consultative Workshop on 27 January 2015 at the Gaborone International Conference Centre (GICC). The workshop was attended by various Government Departments and private sector stakeholders that deal directly with trade-related matters.

The Trade Portal is a web-based, state-of-the-art system that is designed to enhance import and export. It provides the business community both locally and globally with a comprehensive, timely and up-to-date source of critical information

relating to trade in Botswana.

When fully functional, the Portal will be used to store all documents relating to trade in Botswana as opposed to the current situation where critical trade documents, application forms, licences, permits, trading rules and requirements reside with different Government departments and are not easy to access. It will also catalogue various international, regional and bi-lateral trade agreements that Botswana is party to, as well the numerous benefits these offer. This will mark an

important milestone in the country's efforts to make reliable and up to date information available to traders and other stakeholders as part of wide-ranging regulatory reforms aimed at making it easier to do business in Botswana.

The Trade Portal is being developed in conjunction with the World Bank as well as the Japanese International Cooperation Agency (JICA) – who come in as Technical Partners following a request made on behalf of BITC by the Ministry of Trade and Industry. Development of the Trade Portal is expected to be concluded before the end of the next financial year.

EXPORT DEVELOPMENT

The Botswana Exporter Development Programme (BEDP) blueprint was completed during the review period. The vision of the BEDP is to provide a well-resourced, efficient and effective programme that enables appropriately skilled exporters.

It will also contribute to a growing number of active exporters as well as ensuring that the real value of exports grows consistently over time. The development of this programme was a highly consultative process designed to assist in understanding the drivers and obstacles that exporters face, provide a detailed analysis of specific cross-cutting issues and suggest various stages of export development interventions. Various stakeholders were approached for input, including service providers, financial institutions, logistic companies and other government agencies, exporters and potential exporters in Palapye, Selebi Phikwe, Francistown, Maun and Gaborone.

Exporters and potential exporters need different interventions and appropriate support. Diagnostic tools – often referred to as Export-Readiness Assessments or Checkers – were used to determine the readiness of 22 companies that enrolled in the programme during the financial year. These companies are from the food and beverage, manufacturing, leather, textile and clothing, Information and Technology, transport, agro business and steel fabrications sectors. The implementation of the programme at these companies will be undertaken in the next financial year.

In line with BITC's market development strategic objective, country market surveys were completed for Zimbabwe and Namibia. These countries offer many opportunities for Botswana exports as they are very



GLOBAL EXPO 2014

dependent on imports of many basic and intermediary products.

GLOBAL EXPO 2014

The 9th Global Expo Botswana (GEB 2014) was held from 17-19 November at Botswana Conference & Exhibition Centre, Fairgrounds, Gaborone. This was held under the theme "Enhancing the Business Landscape through Foreign Direct Investment & Exports." The event was officially opened by the Minister of Trade & Industry, Honourable Vincent Seretse.

A total of 158 exhibitors from 12 countries participated, from the previous year's 138. This represents a 14% increase. Exhibitors represented Botswana (70), Kenya (2), South Africa (51), Zimbabwe (12), Swaziland (5), Zambia (1), Namibia (1), Indonesia (1), India (1), Mozambique (1), Germany (2) and Ethiopia (1).

BUSINESS MATCHMAKING

The Business Matchmaking Programme, an initiative run by Global Expo Botswana to manage and create targeted one-on-one meetings between exhibitors and visitors, was very successful. The Programme provides an opportunity to discuss business prospects based on their outlined areas of interest.

The initiative, which is practiced globally in other trade fairs, has been part of the Expo since 2006. Originally run by a South African company, the programme has been run internally in a much more interactive, inclusive and cost-effective manner for the past two years.

INVESTMENT & TRADE CONFERENCE

The 2014 Global Expo Botswana was once again enhanced by a two-day Investment and Trade Conference that ran parallel to the exhibition on 17 and 18 November. In addition to the conference, there were also investment and trade seminars during which different organisations promoted opportunities within their respective environments. Various high level international speakers discussed a variety of topics ranging from Public-Private Partnerships (PPP) and exploring the potential for data centres to Minerals Resource Beneficiation, competitiveness rankings, Economic Partnership Agreements (EPA) and Women in Business in Africa.





Approximately 500 participants attended the two-day event which was a resounding success, with six high-level international speakers from the industry and academia, six moderators and 20 panellists.

Among the speakers were Professor John C. Mourmouris, Head of the Department of International Economic Relations and Development, Democritus University of Thrace, Greece; Mr. Koos Smit, Advisor

- Group Representative Office Southern Africa at ThyssenKrupp; Ms. Mmasekgoa Masire-Mwamba, Deputy Secretary General, Commonwealth Secretariat, London; and Ms. Coley Anderson, Director of Industry and Government Relations at Registrar Corp which assists companies in the Drug, Medical Device, Food and Beverage, and Cosmetics industries with U.S. Food and Drug Administration regulatory compliance.

GABS BEDDING (PTY) LTD

SINCE ITS ESTABLISHMENT IN 2001, GABS BEDDING HAS EXTENDED ITS
PRODUCT RANGE TO FAR MORE THAN BEDS AND MATTRESSES – AND ITS
MARKET TO BEYOND GABORONE, AND EVEN BOTSWANA.

COMPANY PROFILES





With BITC having assisted the manufacturer with a wide range of issues over the years, from the acquisition of land to build a factory to obtaining work permits, training, export promotion and assistance and liaison with government departments, Gabs Bedding's products can be found in most SADC countries.



The company, which currently employs 220 people, all of whom have been trained in-house, recently made a substantial investment in plant, machinery and infrastructure to enable it to increase its manufacturing capacity and thus its market penetration.



In addition to its flagship bed ranges – its own Sleep logic and Posture logic brands as well as the UK's prestigious Silentnight range which it manufactures under licence – Gabs Bedding also produces the Urban Lounge and Signature Lounge lounge suites; the Delcardo range of hard wood and metal furniture; Supa Scrub kitchen sponges; and Chobe Originals leather and canvas bags.



Its 7000m² factory also accommodates the company's Foam Converting division which manufactures cut foam products to meet the needs of Botswana's furniture manufacturers, upholsterers and other users of foam.



ARONA NATURAL FOODS

ARONA NATURAL FOODS IS A TRADING DIVISION OF FMG INDUSTRIAL CONSULTING ENGINEERS (PTY) LTD. THE COMPANY WAS ESTABLISHED IN JANUARY 2014 TO MANUFACTURE COLD PRESSED VIRGIN ORGANIC SUNFLOWER COOKING OIL.

The Cooking oil was launched by Honourable Sadique Kebonang, Deputy Minister of Trade and Industry on 27th November 2014 at Phakalane Golf Estate Hotel Resort.

The manufacturing plant is housed at Phakalane Industrial Area, whilst the administration and sales is temporarily housed within the mother company, FMG Industrial Consulting Engineers (Pty) Ltd offices in Commerce Park Gaborone Botswana.

The company manufactures natural organic, virgin cold pressed sunflower cooking oil from sunflower seeds. The other by-products are sunflower cake which is ideal for livestock feeding and crude oil which may also be used for salads, detergents and chemicals manufacturing. So far the company is aggressively marketing the cooking oil and sunflower cake.





Arona Natural Foods produces 90,000 litres of cooking oil per month,

Locally, the company is supplying the cooking oil to the following retail shops: Woolworths, Choppies Hyper Stores and Spar Supermarkets.

Regionally, plans are advanced to export to: Namibia, Mozambique and Taiwan.

Currently the company has a staff compliment of 18 (eighteen) with a view of increasing the number to 34 on full production capacity.

BITC's Support: The company has and is still receiving tremendous, significant support from BITC in the marketing of the cooking oil by: Facilitating participation at various regional trade symposiums and local exhibitions. Also most importantly, the company received dedicated support in the application for the manufacturing license which allowed the company to operate to date.





CHLORIDE EXIDE BOTSWANA (PTY) LTD, INITIALLY ESTABLISHED IN 1990 TO PRODUCE 30,000 AUTOMOTIVE BATTERIES A YEAR FOR THE BOTSWANA MARKET, HAS BECOME ONE OF THE LEADING BATTERY MANUFACTURERS AND SUPPLIERS IN SOUTHERN AFRICA WITH A PRODUCTION CAPACITY OF OVER 500,000 BATTERIES PER ANNUM.

CHLORIDE EXIDE BOTSWANA (PTY) LTD

BITC has played a key role in the company's success, assisting with a range of services from obtaining work permits for the company's skilled manufacturing and engineering personnel, to export promotion.

Today, Chloride Exide produces over 50 different types of automotive batteries, with approximately 70% of its output exported to Malawi, Namibia, South Africa, Swaziland, Lesotho, Zimbabwe, Mozambique, Zambia and Angola. Within Botswana, its batteries are marketed under the Taurus brand.

Chloride Exide is in the process of replacing its battery production machinery with state-of-the-art equipment that will enable it to meet the ever increasing demands on output and product quality that will enable expansion into the overseas market. The continued support of BITC will be instrumental in achieving this goal.



SPECIAL ECONOMIC ZONES

THE ANTICIPATED APPROVAL OF THE SPECIAL ECONOMIC ZONES BILL BY PARLIAMENT DURING ITS JUNE–AUGUST 2015 SESSION IS SET TO PUT THE ROLL-OUT OF THE SPECIAL ECONOMIC ZONES (SEZS) PROJECT ON A CLEAR LEGISLATED AND EXPEDITED TRAJECTORY.

The SEZ financial incentives and regulations have been drafted and are to be submitted to Cabinet, for approval, once the Bill has been approved.

Owing to the importance of this strategic reform BITC, the interim Special Economic Zones Authority (SEZA), continued to roll out the programme at eight SEZ sites that have been identified across Botswana. These are

- Phase I: The Sir Seretse Khama International Airport Special Economic Zone (SSKIA-SEZ) - Mixed Land Use SEZ; and the Selebi-Phikwe Economic Diversification Unit (SPEDU) site - Base Metals Beneficiation and Value Addition SEZ;
- Phase II: Lobatse – Beef, Leather and Bio-gas Park; Gaborone Fairgrounds – Office and Corporate Headquarters Park; Pandamatenga – Crop Production and Palapye – Coal Beneficiation and Energy; and

- Phase III: Francistown – Mining and Mining Logistics; and Tuli Block – Horticulture Production.

BITC has engaged with these zones to develop value propositions and 'Go to Market Strategies' to enhance their conversion rate into these sites.

BITC has developed a master plan for the Phase I, SSKIA-SEZ. This provides a clear business case and value propositions for sectors/activities which can be developed within the SSKIA-SEZ site. These include agro-processing, automobile conversion, pharmaceuticals, diamond cutting and polishing, and jewellery manufacturing. A detailed layout plan is currently being developed for the site that will inform detailed engineering designs for the provision of infrastructure.

BITC envisages the SSKIA-SEZ site being ready in 2017. Developers will be identified, both nationally and internationally, to plan, lay infrastructure and promote land parcels in this site. Public-Private

Partnership (PPP) and Build Operate and Transfer (BOT) models will be adapted to fast track the uptake of this initiative. In the meantime, qualifying developers/investors are allocated land on a fully serviced 57 hectares of land owned by Botswana Innovation Hub (BIH). BIH is currently rolling out a mixed use Science and Technology Park around Sir Seretse Khama International Airport (SSKIA). BITC continues to promote the SEZs in South Africa, Kenya, Nigeria, United States of America, Canada; Mexico, Turkey, Brazil, Ethiopia, Saudi Arabia, Bahrain, Kuwait and Qatar. The sectors of focus during these missions are mining, agriculture, water management, financial services, energy, applied ICT and health.

BITC has also partnered with Local Governments (LGs) to sell the SEZ reform to Botswana. Through these partnerships, BITC has managed to group the LGs into 15 Regional Business Blocks (RBBs) notably, Francistown Region, SPEDU Region, Lobatse Region, Kweneng Region,





Palapye Region, Kasane Region, Maun Region, Gantsi Region, Tsabong Region, Mahalapye region, Palapye Region, Gaborone Region, Kgatleng Region, Nata Region and Letlhakane Region. These regions are defined by natural business flows and the cities or towns selected are their business anchors. Investment strategies for these RBBs have been developed to align to the current national FDI attraction strategies. Our efforts have been positively received by those that we facilitated, notably SPEDU, Francistown, Kweneng and Lobatse. All regions will be facilitated before the end of June 2015.

The development of value propositions for all sites, with the exception of three, is on-going as per the identified sectors. Value propositions for the Greater Francistown and SPEDU Regions and SSKIA are in place and sales and marketing for these regions is on-going. The investment pipeline is growing by the day.

In addition to the execution of Phase I, BITC and the BIH are implementing a Memorandum of Understanding (MOU) that was signed in September 2013. The MOU requires both BITC and BIH to align their marketing strategies for the 12.6 hectare area within the BIH's Science and Technology Park set aside for BITC, and the rest of the Science and Technology Park. To date, Terms of Reference (TORs) to set up an Investment Appraisal Committee (IAC) have been jointly developed by BITC and BIH.

The main duties of the IAC will be to oversee the development and promotion of the site as well as to evaluate and approve projects into 12.6 hectares. The committee will be co-chaired by CEOs from both organisations and the rest of the membership is made up of five senior executives from the two institutions. Companies considered for this site will be evaluated and vetted by this joint committee.

BITC has also developed a National SEZ Sales and Marketing Strategy. The Strategy will assist and attract developers / investors to all the SEZs and will position Botswana as an investment destination of choice for Mega SEZ projects.

A SEZ Marketing Strategy Workshop was held in March 2015 to obtain input from key stakeholders before the strategy could be finalised.

The workshop was attended by CEOs and Permanent Secretaries from key Parastatals and Ministries. The participating organisations pledged their support to the Marketing Strategy and promised to address conflicting policies identified during the consultation.

BRAND BOTSWANA

THE NATION BRAND PROGRAMME AIMS TO CREATE A COUNTRY IDENTITY THAT WILL RAISE THE PROFILE OF BOTSWANA LOCALLY AND INTERNATIONALLY. CENTRAL TO THE PROGRAMME'S SUCCESS IS LOCAL BUY-IN AND SUPPORT FROM THE GENERAL POPULATION AS WELL AS FROM KEY IMPLEMENTATION BODIES SUCH AS GOVERNMENT, THE PRIVATE SECTOR AND CIVIL SOCIETY.

PERFORMANCE





This has compelled Brand Botswana to roll out branding workshops and stakeholder engagement initiatives nationwide to ensure there is understanding of the Nation Brand mandate.

MISSION

The Brand Botswana mission is to:

Provide a fully integrated identity that strongly positions Botswana amongst key local and international communities. Supported by consistent and compelling visual, verbal and behavioural expression of the brand (i.e. Botswana as a country). The objective is to galvanise our community around the country's core values.

The branding initiative also aims to stimulate greater economic value for Botswana through enhanced tourism, targeted investment attraction and the successful promotion of Botswana's diversified export sectors and other country offerings.

OBJECTIVES

The objectives of Brand Botswana are:

- to position Botswana as a leading country within Africa and the global community,
- to foster a more competitive and sustainable economy through sector diversification by attracting investment and new buyers in non-traditional sectors,
- to attract foreign and promote local new innovation-driven investment and entrepreneurship
- to galvanise Botswana around an agreed set of values and promote the spirit of patriotism.

BRAND BOTSWANA (CONTINUED)

STAKEHOLDER ENGAGEMENT

Since inception, Brand Botswana has engaged with various stakeholders with the aim of creating awareness and understanding of the Nation Brand as well as, most importantly, to clarify and define the significant role each stakeholder plays in branding the nation. This approach continued during the period under review. In addition, Brand Botswana also sought to enhance the strategic partnerships that resulted from the various interactions with stakeholders.

Brand Botswana continues to collaborate with various entities and organisations, locally and internationally. Brand Botswana has partnered with the University of Botswana – Office of International Education to induct students before they go for their exchange programmes as well as those arriving in Botswana under the same programme.

As part of the stakeholder engagement function, capacity building brand workshops are held as these are critical for creating an opportunity for targeted stakeholders to be introduced to the Nation Brand programme.

Brand workshops will continue to raise awareness and enable invaluable information sharing.

During the period under review, 17 capacity building workshops were held nationally, while 12 workshops were conducted internationally, mainly for Botswana Missions abroad. The majority of workshops conducted nationally were with the Department of Immigration and Citizenship to capacitate border officials for their role in improving the image of Botswana. Other entities workshopped included the Association of Communication Agencies (ACA), Botswana Unified Revenue Service (BURS), musicians through the Mocaragana sponsorship, Public Relations Officers from the Ministry Lands and Housing, as well as youth entrepreneurs.

Brand Botswana also worked with the High Commission in Sweden to host events around the Botswana Independence Day celebrations. This formed an integral part of efforts to collaborate with Missions to increase brand awareness internationally.

Brand Botswana further strengthened partnerships with stakeholders to implement some key initiatives. As a way of giving a special welcome to Botswana visitors, Brand Botswana



partnered with the Civil Aviation Authority and branded the Kasane, Sir Seretse Khama and Francistown International Airports. All these sites were made available to Brand Botswana at no cost.

There was a further partnership with Department of Immigration and Citizenship. This partnership gave birth to the development of a Pride Mark branded immigration stamp. The branded stamp ensures that all those who travel to and from Botswana will forever remember that they have been to Botswana. Not only does the stamp carry the unique Nation Brand symbol, it also has enhanced security features.

MARKETING COMMUNICATIONS

International Campaign

In an effort to create awareness as well as to promote and position Botswana to an international audience, Brand Botswana launched the 'Doing Business in Botswana' programme on CNBC Africa. The 26 episode television show, which is viewed in over 47 countries across Africa, was aimed at promoting Trade and Investment opportunities across the different sectors in Botswana. Brand Botswana also participated at the Annual Diamond and Jewellery Fair in Las Vegas, USA, where Botswana was honoured with the 2014 Global Diamond Industry Achievement award for outstanding global leadership and contribution to democracy, sustainable development and growth of the international diamond industry.

Social Media

During the reporting period, Brand Botswana extended its reach to social media platforms including Facebook, Instagram, YouTube and Twitter. Brand Botswana's presence on Facebook has reached 8,187 likes and continues to grow steadily. In the latter part of 2014/2015, a robust social media plan was developed and is in progress.

Rural Branding

The Rural Branding initiative, which was implemented in 2012, is still in progress. This programme was

developed to reach out to Botswana in remote areas who have limited access to other communications mediums. It made use of shops and tuck shops that were branded with the Pride Mark and Pride campaign messages. One hundred shops across the country were branded. This has resulted in a significant increase in Pride Mark exposure to citizens in remote regions.

Case studies

Brand Botswana continues to profile and promote Botswana success stories locally and internationally. Five Botswana success story case studies relating to Governance, People and Tourism have been produced and placed in local and international media to celebrate Botswana's achievements in the different spheres.

Partnerships

Brand Botswana aims to highlight and celebrate some of the country's distinct national attributes, through partnerships with organisations and individuals who celebrate Botswana in a variety of ways.

During the period under review, Brand Botswana partnered with the following events to increase awareness of the Nation Brand programme and influence participation by various stakeholders to raise the profile of the country:

- HATAB Conference
- Khawa Dune Challenge
- Simply Botswana – e-guide
- Son of the Soil
- Lobatse International Beef Festival
- The Toyota Botswana 1000 km Desert Race
- Mocaragana Music Show

Brand Botswana was also a part of the team that represented Botswana at the successful listing of the Okavango Delta as a UNESCO World Heritage Site in Doha, Qatar. Brand Botswana sponsored a reporter from Botswana Television to cover the event. Internationally, the Nation Brand programme continues to support worthwhile participation in reputable international events. Ngwao Lotshwao Traditional Dance Troupe was sponsored to participate at the annual Canberra Multi-Cultural

festival in Australia; and the Gaborone Jazz Trio was sponsored to participate at the Independence Day celebrations events in Stockholm, Sweden, where they also had a tour.

NATIONAL COMMITTEES

Brand Botswana is represented in a number of committees which play an advisory role in ensuring the Nation Brand's integrity is maintained.

The committees in which Brand Botswana participated are:

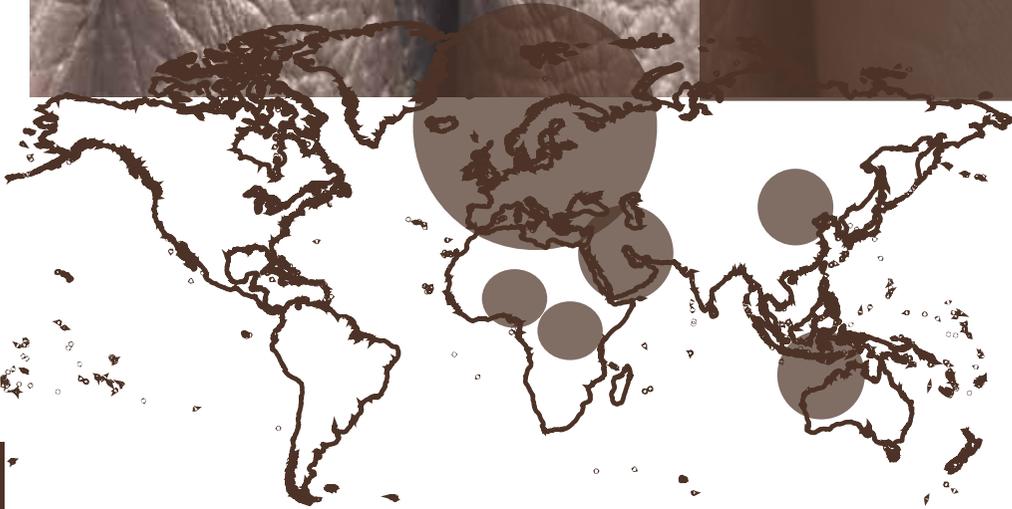
- The President's Day National Organising Committee
- The Vision 2016 Coordinators Committee
- The Vision 2016 Awards Adjudicators Committee
- Independence Day National Organising Committee
- Dithubaruba Organising Committee
- The Lobatse International Beef Festival Organising Committee

Serving on national committees provides Brand Botswana an opportunity to enhance alignment of national events to the National Brand strategy by ensuring that the branding principles are upheld.

PRIDE MARK MANAGEMENT

The uptake of the Pride Mark by local manufacturers/exporters serves to not only increase visibility but also creates a platform that will highlight the diverse range of high quality products that Botswana has to offer, thus raising the Nation Brand equity. Usage of the Pride Mark increased steadily during the period under review, with the total number of companies using the Pride Mark reaching 118. In the last quarter of the review period, the Brand Botswana national portfolio aggressively engaged export companies to ensure the visibility of the Pride Mark on products destined for external markets. By the end of the quarter, 12 large manufacturers had agreed to start utilising the Pride Mark on their products.

PART



REACHING OUT

LEATHER & LEATHER GOODS

THOUGH KNOWN PRIMARILY FOR ITS BEEF EXPORT CAPABILITIES, BOTSWANA'S PRODUCTION OF LEATHER AND LEATHER GOODS AS BY-PRODUCTS OF THE BEEF INDUSTRY CONTINUES TO ENJOY GREAT STEAD. WITH ITS ABUNDANCE OF RAW HIDES AND SKINS, THE DEVELOPMENT OF A LEATHER PARK IN LOBATSE, AND ITS CENTRAL LOCATION IN SADC, BOTSWANA OFFERS AN IDEAL OPPORTUNITY FOR INVESTORS WANTING TO TAP IN TO THE GROWING GLOBAL DEMAND FOR LEATHER PRODUCTS. THIS IS FURTHER ENHANCED BY BOTSWANA'S PROXIMITY AND EASY ACCESS TO REGIONAL AND INTERNATIONAL MARKETS.

Some of the key players within the leather value chain, a testament to the breadth of opportunity within the industry, include slaughter facilities, hide collectors, hide exporters, tanners and leather product manufacturers. This and associated industries means upstream and downstream opportunities within the leather value chain exists. These range from slaughter facilities, leather finishing tanneries, hides and skins collection, leather shoe manufacturing factories, leather craft manufacturing, weaner and small stock production, to name a few.

In somewhat of a domino effect from this, a number of opportunities that could be stimulated by leather and leather goods production in the country exist. These include transport services; equipment and machinery supplies and maintenance; supply of tannery chemicals; manufacturing of accessories such as soles, lining and bangles as well as salt supplies; and manufacturing and supply of packaging materials.

Beyond this, the integral role that the leather and leather goods industry plays is further supported

and evidenced by the decision to invest in a dedicated leather park. The Lobatse Leather Park, which is scheduled for completion in early 2018, is situated just 70km from Gaborone. It will provide a common effluent treatment facility, a training centre (with training rebates provided to investors), shells for investors in wet-blue tanneries, and re-tanning and finished leather plants.

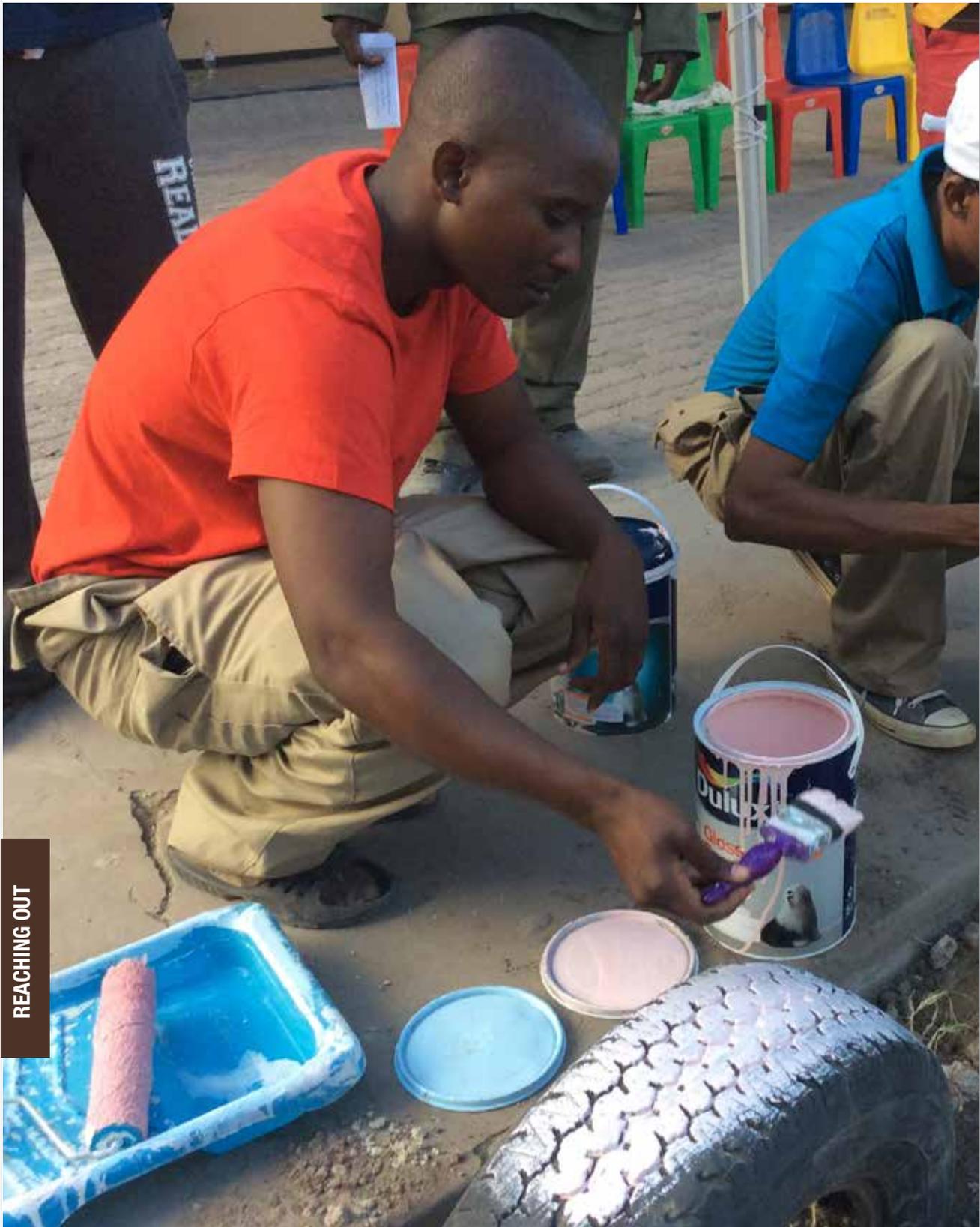
According to a research report conducted by Local Enterprise Authority (LEA) in 2012, Situation Analysis of The Leather Industry In Botswana, the country's import bill when it comes to leather products is higher than its export bill, highlighting the opportunity for greater production and export potential. The report noted that "the import bill for leather and leather products in 2008 was over P151 million, dominated by footwear and apparel, whilst the export bill stood at P46 million, with 2/3 of the bill consisting of raw hides and skins." Simply put, Botswana exports most of its raw hides, while importing finished leather products.

There are only a small number of micro businesses and artisanal

enterprises operating as tanneries, hide collectors and leather product manufacturers in the country. Just across the border in South Africa, however, is Africa's largest automotive manufacturing market where production is expected to soar to 1.2 million units by 2020.

Stitched leather seats and parts count among the top 10 automotive component imports, most of which are sourced from Asia, Europe and North America. Not only does Botswana's proximity to South Africa's automotive manufacturers offer a delivery time advantage, its membership of the Southern African Customers Union (SACU) means no duty is paid on exports into South Africa.

What remains is to effectively grow and develop the local leather and leather goods industry, ensuring the necessary resources and infrastructure to grow Botswana's leather export capabilities beyond that of her neighboring countries. The establishment of such facilities as the Lobatse Leather Park is expected to go some way towards ensuring this objective is realised.



REACHING OUT

REACHING OUT

BITC'S CORPORATE SOCIAL INVESTMENT (CSI) PROGRAMME CONTINUES

TO ASSIST BATSWANA WHO ARE IN NEED. FOLLOWING THE SUCCESSFUL

COMPLETION OF THE CONSTRUCTION OF A GUIDANCE AND COUNSELLING

CENTRE AT IKAGENG JUNIOR SECONDARY SCHOOL, OUR FOCUS SHIFTED

FROM EDUCATION TO HEALTH AS WE RECOGNISED THE ENORMOUS NEED FOR

SUPPORT OF THIS SECTOR.

COMMUNITY PROJECT

This is especially in remote villages which act as service centres for several other villages and settlements. In addition, this change in focus still enabled us to continue to focus on supporting children, as they remain the most vulnerable members of society.

After extensive preliminary research and needs assessments undertaken at Primary Hospitals throughout Botswana, BITC decided to work with Rakops Primary Hospital. This involved helping to refurbish the Children's Ward and entailed:

- Painting the interior and exterior of the ward in vibrant children's colours;
- Purchasing children's chairs/benches;
- Purchasing branded folders for children's medical cards to help safeguard the children's medical records. These were given to parents at the official handover;
- Providing and installing a television and DVD player (including a mountable stand) along with children's videos;
- A one year subscription for DSTv to enable the children to watch popular children's programmes;
- Purchasing and setting up playground equipment.

The project's official handover, on March 27, 2015, was attended by various stakeholders.

As part of the donation, BITC staff donated second-hand clothing which was distributed to destitute members of the Rakops community.

As a good corporate citizen, BITC believes that the involvement of staff in this type of community project supports the Center's corporate brand reputation, especially as the organisation strives to fulfil the aspirations of Vision 2016.

LAUNCH OF SOCIAL MEDIA PLATFORMS



BITC launched into Social Media in November 2014, utilising the popular Facebook, Twitter, LinkedIn and YouTube platforms.

The BITC Facebook page is gradually gaining viewership and interaction. By the end of the review period, the page had garnered 8,087 likes, an indication that the page is

gaining popularity and that there is an appreciation of its content.

While Facebook is largely a consumer platform, LinkedIn has a far greater relevance in the business arena. It is also a far more difficult platform to promote and gain interaction and feedback, and more work is required to obtain a greater following. The BITC YouTube channel was launched in February 2015. BITC videos have been uploaded and a concerted effort is now ongoing to promote these as this is a platform that can reach the wider community effectively.

OUTREACH PROGRAMME

BITC undertook its inaugural nationwide outreach programme in an effort to bridge the knowledge gap in the various services offered by the organisation to local business communities around the country.

The outreach activities took place between February 16 and March 10, 2015.

The programme targeted the North, Central and South regions of the country and included Mahalapye, Palapye, Selebi Phikwe, Francistown, Ghanzi, Jwaneng, Maun, Kasane and Lobatse.

REACHING OUT (CONTINUED)



REACHING OUT





““

BITC significantly contributes to improvements in the investment climate through policy advocacy aimed at ensuring facilitation of a competitive business and investment climate and to foster greater economic activity.”

The objectives of the campaign were to:

- Educate Batswana about BITC’s mandate;
- Sell the various services offered by BITC and the benefits of registering with BITC;
- Educate Batswana on researched district specific opportunities and help them to understand the value of the export market surveys and export audits conducted regularly by the organisation;
- Engage with local manufacturers and inform them about specific services for advancement of their businesses, such as establishing export markets for their products and the benefits of BITC’s Export Development Programme;
- Engage with local authorities and stakeholders that support business/investment.

This three-week campaign was carried out via outdoor campaigns, company visits and business forums in the respective locations. Activations in malls reached almost 800 people; while 145 people attended BITC Business Seminars; and 29 companies were visited.

BITC was able to educate Batswana about its mandate, products and services and many of the issues or challenges faced by domestic investors were discussed during the Business Seminars.

BITC BUSINESS OPPORTUNITY SHOW

BITC pioneered a radio programme, the BITC Business Opportunity Show, on Gabz FM. Commencing on August 5, 2014, this exclusive 30-minute show aired every Tuesday for a period of five months. The programme promoted the investment facilitation services offered by BITC as well as existing investment or business opportunities that are available within the various sectors of the economy for Batswana to take advantage of. The objectives of the programme were to:

- Educate Batswana about untapped business opportunities that exist in the country;
- Encourage citizen participation in economic development and diversification;
- Provide information on the available services available to support Batswana in their business ventures; and
- Provide guidance on sources of information to explore opportunities.

REACHING OUT (CONTINUED)



The BITC Business Opportunity Show provided information on a wide range of business opportunities and BITC services. These included:

- Opportunities in the Central and North-Eastern districts, South East, Kgatleng, Kweneng, and Southern districts, North West (Chobe, Ngamiland), Ghanzi, Kgalagadi Districts, Central and North-Eastern districts;
- The mining process from exploration to closure and the Botswana diamond beneficiation initiative;
- Investment opportunities in Agriculture (in primary production as well as processing);
- BITC Business Facilitation services;
- The leather value chain;
- The energy sector in Botswana: available sources, demand structure and current supply patterns;
- BITC research conducted in the SADC countries;

- Trade agreements and their purpose; and
- The IFSC function of the BITC.

The programme attracted the participation of a number of other organisations and stakeholders which provided expert information to listeners. Among the guests on the programme were representatives of:

1. Selebi Phikwe Economic Development Unit (SPEDU),
2. Kweneng District Council
3. Reference Team – Regional Opportunities Mapping
4. Agriculture Hub
5. Botswana Chamber of Mines
6. Diamond Hub
7. First National Bank
8. Local Enterprise Authority (LEA)

MEDIA TOUR

The BITC hosted representatives from the print and electronic media houses on the July 30, 2014 in Mogoditshane, Tlokweng and Gaborone. The media tour was conducted to enable these key stakeholders to appreciate BITC work through first-hand accounts by the assisted companies themselves. The companies which were visited

by the media and BITC staff and management were Apache Roof Tiles, Pan African, BI Manufacturing, Ebony, Crown Manufacturing, Crittal Hope, Mushtag Plastics, Chemical Man, Blue Star and Cupidoll.

At the end of the tour, the BITC Chief Executive briefed the media about the current investment thresholds and the investors eligibility criteria, BITC's advocacy for a better business environment, including the on-going call for the amendment of two pieces of legislation including the Business Facilitation Law was also discussed. He also briefed them about the organisation's participation at various exhibitions such as Source Africa, SAITEX and the Zimbabwe International Trade Fair (ZITF) as well as in upcoming events such as the BITC Business Opportunity Show with Gabz FM, the Doing Business in Botswana show on CNBC Africa and the Botswana Campaign on BBC.

The media representatives stated that the tour had allowed them to appreciate the challenges faced by BITC in realising investment attraction as well as the challenges faced by companies when setting up in Botswana.

ALL MTI PARASTATAL TOURNEY

BITC successfully hosted a milestone inaugural event, the All MTI Parastatal Tourney 2014, at Bank of Botswana Sports Grounds on May 17, 2014. Recognising that it has to promote its profile among Parastatals reporting to MTI and the media, BITC used the opportunity to leverage the relationships that currently exist and build new ties between these organisations in an informal setting. The ultimate purpose of the day was to:

- Build the parastatals as a team with a common goal of developing and growing the economy of our country;
- Engage, network, compete, have fun and build a solid MTI Parastatal team;

- Build and nurture the relationships that already exist among parastatals as sister organisations;
- Illustrate the possibility and good results of collaboration and partnership that can be extended to business initiatives that the organisations drive as independent Parastatals, and hence foster a good working relationship.

It was felt that an event based on sports would be most effective to achieve unity because:

- Sports are fun
- They create a sense of healthy competition
- Sports are appreciated by all and hence bring people together

- They enable and encourage teambuilding
- They easily unleash one's strengths.

Six Parastatals reporting to the Ministry of Trade and Industry participated along with several media representatives as the media is a critical stakeholder to all the Parastatals.

Next year's tournament is expected to be bigger and better and include several Parastatals that were not involved in the first event.

These will hopefully include Companies and Intellectual Properties Authority (CIPA) and Selibe-Phikwe Economic Diversification Unit (SPEDU).





PART

5

**ANNUAL
FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2015

OUR RESULTS

New Capital investment

1.5BN

Domestic Investment &
Expansions

1.7BN

Total Cumulative Capital

3.2BN

OUR HIGHLIGHTS

- > Export earnings target of BWP1900 million.
- > Financial and Business Services contributing 50% of the total Capital Investment
- > Cumulative investment surpassed the P3 billion mark.
- > Significant Growth of 68% compared to last year's P1.9bn.

CONTENTS

Statement of responsibility by the Board of Directors	79
Report of the independent auditors	80-81
Statement of comprehensive income	82
Statement of financial position	83
Statement of changes in funds	84
Statement of cash flows	85
Notes to the financial statements	86-110
Detailed income statement	Annexure I
Notes to the detailed income statement	Annexure II

CENTRE INFORMATION

Domicile, legal form and principal business activity:

Botswana Investment and Trade Centre (BITC) was established under the Botswana Investment and Trade Center Act, 2011 in order to promote, attract, encourage and facilitate local and foreign investments in Botswana as well as export development and custodianship and promotion of the nation's brand.

Registered address: Plot 54351, Exponential Building
Central Business District (CBD)
Gaborone

Directors: Chairman - Mr Victor Senye
Ms Ethel Matenge Sebesho (Retired February 2015)
Mr Terence Dambe
Ms Wilhemina Makwinja
Ms Esther Kanaimba-Senai
Ms Banny K Molosiwa (Resigned January 2015)
Mr Christopher Roy Garland
Ms Ellen Richard-Madisa
Ms Peggy O Serame (Appointed January 2015)
Chief Executive – Mr Letsebe Sejoe

Postal address: Private Bag 00445
Gaborone

Auditors: PricewaterhouseCoopers
Gaborone

Bankers: Standard Chartered Bank Botswana Limited
First National Bank of Botswana Limited
Stanbic Bank Botswana Limited
First National Bank of South Africa Limited
Bank of India Limited
Barclays Bank PLC, UK
African Banking Corporation Botswana Limited
Bank Gaborone Limited

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2015

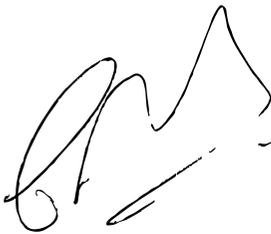
The directors of Botswana Investment and Trade Centre are responsible for the annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Investment and Trade Centre Act, 2011.

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

The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the Centre will not be a going concern in the foreseeable future, based on the continuous support by the Government of Botswana through the Ministry of Trade and Industry.

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

The annual financial statements on pages 82 to 110 and supplementary information on Annexures I and II were authorised for issue by the Board of Directors and are signed on its behalf by:



Director



Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOTSWANA INVESTMENT AND TRADE CENTRE

Report on the financial statements

We have audited the accompanying annual financial statements of Botswana Investment and Trade Centre, which comprise the statement of financial position as at 31 March 2015, and the statements of comprehensive income, changes in funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 82 to 110.

Directors' Responsibility for the Financial Statements

Botswana Investment and Trade Centre's directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in a manner required by the Botswana Investment and Trade Centre Act, 2011 and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw*

Country Senior Partner: B D Phirie
Partners: R Binedell, R P De Silva, A S Edirisinghe, S K K Wijesena



Opinion

In our opinion, the financial statements give a true and fair view of, the financial position of Botswana Investment and Trade Centre as at 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with Section 19 of the Botswana Investment and Trade Centre Act, 2011, we confirm that:

- We have received all information and explanation which, to the best of our knowledge and belief, were necessary for the performance of our duties;
- The accounts and related records of the Botswana Investment and Trade Centre have been properly kept;
- The Botswana Investment and Trade Centre has complied with all the financial provisions of the Act; and
- Financial statements prepared by the Botswana Investment and Trade Centre was prepared on a basis consistent with that of the preceding year except for the adoption of new and revised International Financial Reporting Standards as stated in Note 2 to the financial statements.

A handwritten signature in black ink that reads 'Priyalal De Silva' in a cursive script. Below the signature is a horizontal line.

Individual practising member: Priyalal De Silva
Membership number: 19900241

22 September 2015
Gaborone

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 P	2014 P
Revenue	5	127,350,411	93,175,200
Other income	7	7,450,000	13,917,985
Administrative expenses	8	(126,503,361)	(91,899,595)
Operating surplus		8,297,050	15,193,590
Finance income	10	1,649,132	1,120,347
Finance costs	10	(360,486)	(50,378)
Net finance income		1,288,646	1,069,969
Surplus for the year		9,585,696	16,263,559
Other comprehensive income			
Items that will not be reclassified to accumulated fund			
Gain on revaluation of land and buildings	11	-	1,315,830
Total comprehensive income for the year		9,585,696	17,579,389

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	Note	2015 P	2014 P
ASSETS			
Non-current assets			
Property, plant and equipment	11	12,736,233	14,245,810
Investment properties	12	262,300,000	254,850,000
Intangible assets	13	370,075	497,411
		<u>275,406,308</u>	<u>269,593,221</u>
Current assets			
Trade and other receivables	14	4,391,397	3,668,750
Cash and cash equivalents	15	44,851,731	40,390,196
		<u>49,243,128</u>	<u>44,058,946</u>
Total assets		<u>324,649,436</u>	<u>313,652,167</u>
FUNDS AND LIABILITIES			
Funds and reserves			
Accumulated fund	16	166,478,204	155,732,020
Revaluation reserve		1,756,143	2,916,631
		<u>168,234,347</u>	<u>158,648,651</u>
Non-current liabilities			
Capital grants	17	139,875,639	142,308,647
Current liabilities			
Trade and other payables	18	16,539,450	12,694,869
Total liabilities		<u>156,415,089</u>	<u>155,003,516</u>
Total funds and liabilities		<u>324,649,436</u>	<u>313,652,167</u>

STATEMENT OF CHANGES IN FUNDS

FOR THE YEAR ENDED 31 MARCH 2015

	Accumulated fund P	Revaluation reserve P	Total P
Balance at 1 April 2013	127,027,376	14,041,886	141,069,262
Comprehensive income for the year	16,263,559	-	16,263,559
Depreciation transfer	12,441,085	(12,441,085)	-
Other comprehensive income			
Gain on revaluation of land and buildings	-	1,315,830	1,315,830
Balance at 31 March 2014	<u>155,732,020</u>	<u>2,916,631</u>	<u>158,648,651</u>
Balance at 1 April 2014	155,732,020	2,916,631	158,648,651
Comprehensive income for the year	9,585,696	-	9,585,696
Depreciation transfer	1,160,488	(1,160,488)	-
Balance at 31 March 2015	<u>166,478,204</u>	<u>1,756,143</u>	<u>168,234,347</u>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 P	2014 P
Cash generated from operations			
Operating surplus		8,297,050	15,193,590
Adjustments for:			
Depreciation	11	4,053,609	3,224,425
Fair value gain on investment properties	12	(7,450,000)	(13,917,985)
Amortisation of intangible assets	13	229,688	190,631
Loss on disposal of plant and equipment		18,537	181,957
Amortisation of capital grant	17	(5,261,241)	(2,893,481)
		(112,357)	1,979,137
Changes in working capital			
Trade and other receivables		(417,177)	318,825
Trade and other payables		3,844,581	4,428,912
Net cash generated from operations		3,315,047	6,726,874
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(2,725,880)	(6,871,644)
Purchase of investment property	12	-	(622,015)
Purchase of intangible assets	13	(102,352)	(587,660)
Proceeds from disposal of plant and equipment		163,311	61,410
Interest income received		1,343,662	1,031,249
Net cash used in investing activities		(1,321,259)	(6,988,660)
Cash flows from financing activities			
Government Capital grants received	17	2,828,233	8,081,319
Net cash generated from financing activities		2,828,233	8,081,319
Net change in cash and cash equivalents		4,822,021	7,819,533
Cash and cash equivalents at beginning of year		40,390,196	32,621,041
Exchange losses on cash and cash equivalents		(360,486)	(50,378)
Cash and cash equivalents at end of year	15	44,851,731	40,390,196

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

1 General information

The Botswana Investment and Trade Centre ("Centre") was established under the Botswana Investment and Trade Centre Act, 2011 in order to promote, attract, encourage and facilitate local and foreign investments in Botswana as well as export development and custodianship and promotion of the nation's brand. The address of its registered office is Plot 54351, Exponential Building, Central Business District, Gaborone.

The financial statements set out on pages 82 to 110 have been approved by the Board of directors on 25 August 2015.

2 Principal accounting policies

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

2.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities, property, plant and equipment and investment properties.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Centre's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.1.1 Adoption of standards in the current financial year

(a) **The following new standards were adopted by the Centre during the year.**

- Amendments to IAS 32 – 'Financial Instruments: Presentation', on financial instruments asset and liability offsetting-The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP. (Effective from 1 January 2014)
- IASB issues narrow-scope amendments to IAS 36, 'Impairment of assets' - These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. (Effective 1 January 2014).

(b) **New and amended standards applicable to the current period but not relevant to the Centre.**

Management assessed the relevance of the following new standards, amendments, interpretations and improvements with respect to the Centre's operations and concluded that they are not relevant to the Centre.

- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities-The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make. (Effective from 1 January 2014).
- IFRIC 21 – Accounting for levies - FRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses diversity in practice around when the liability to pay a levy is recognised. (Effective 1 January 2014).
- Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting-The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, 'Financial Instruments'. (Effective from 1 January 2014).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

2.1.2 Adoption of standards in future annual periods

The following new standards, amendments, improvements and interpretations to existing standards are mandatory for the Centre's accounting periods beginning on or after 1 April 2015. These have not been early adopted by the Centre.

(a) New standards, amendments and interpretations which are relevant to the Centre's operations

- IFRS 9 – Financial Instruments (2009) - This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. (Effective from 1 January 2018).
- IFRS 9 – Financial Instruments (2010) - The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss. (Effective from 1 January 2018).
- Amendment to IFRS 13, 'Fair value measurement' - When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases. (Effective 1 July 2014).
- IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets' - Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:
 - either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
 - the accumulated depreciation is eliminated against the gross. (Effective 1 July 2014).
- Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative- In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. (Effective 1 January 2016).
- IFRS 13, 'Fair value measurement'- The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. (Effective 1 July 2014).
- IAS 40, 'Investment property'- The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. (Effective 1 July 2014).
- IFRS 15 – Revenue from contracts with customers. - The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. (Effective 1 July 2017).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

2.1.2 Adoption of standards in future annual periods (continued)

Management is currently assessing the impact of the application of these new standards, amendments and interpretations on the Centre's financial statements in the period of initial application. At this time, the adoption of these standards and interpretations is only expected to have an impact on the classification and disclosure of items in the Centre's financial statements.

(b) New standards, amendments and interpretations which are not relevant to the Centre's operations

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets- The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. (Effective 1 January 2016).
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption- The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. (Effective 1 January 2016).
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.- This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. (Effective 1 January 2016).
- IFRS 14 - The IASB has issued IFRS 14, 'Regulatory deferral accounts' ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body. (Effective 1 January 2016).
- Amendment to IAS 19 regarding defined benefit plan – These narrow scope amendments apply to contribution from employees or third parties to define benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. (Effective 1 July 2014).
- Amendment to IFRS 2, 'Share based payment' - The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. (Effective 1 July 2014).
- Amendment to IFRS 3, 'Business combinations' - The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39. (Effective 1 July 2014).
- Amendment to IFRS 8, 'Operating segments' - The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. (Effective 1 July 2014).
- IFRS 3, 'Business combinations'- The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. (Effective 1 July 2014).
- Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants- In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant include examples of non-bearer plants and remove current examples of bearer plants from IAS 41. (Effective 1 January 2016).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

2.1.2 Adoption of standards in future annual periods (continued)

- Amendments to IAS 27, 'Separate financial statements' on equity accounting- In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. (Effective 1 January 2016).
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. (Effective 1 January 2016).
- Amendment to IFRS 9 -'Financial instruments', on general hedge accounting- The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:
 - The own credit risk requirements for financial liabilities.
 - Classification and measurement (C&M) requirements for financial assets.
 - C&M requirements for financial assets and financial liabilities.
 - The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).

The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9. (Effective 1 January 2018).

- IAS 24, 'Related party disclosures' - The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity') (Effective 1 July 2014).
- IFRS 1, 'First-time adoption of International Financial Reporting Standards'- The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. (Effective 1 July 2014).

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

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

2.2.2 Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement within 'Other (losses)/gains – net'.

2.3 Property, plant and equipment

Property, plant and equipment are shown at cost / revaluation amounts less accumulated depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

2.3 Property, plant and equipment (continued)

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

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and shown as revaluation reserve in the statement of changes in funds. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from revaluation reserve to accumulated fund.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings	50 years
- Office equipment	4 years
- Furniture and fittings	5 years
- Computer equipment	3 years
- Motor vehicles	4 years
- Leasehold improvements	Remaining lease period

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

When revalued assets are sold, the amounts included in revaluation reserve are transferred to general fund.

2.4 Capital work-in progress

Properties in the course of construction for rental, administrative purposes or for purposes not yet determined are carried at cost less any identified impairment loss. When the properties are ready for use or a completion certificate has been issued, such properties are transferred to property, plant and equipment. Depreciation is not charged when properties are still under construction.

2.5 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Centre, is classified as investment property. Investment property comprises freehold/leasehold land and buildings. Properties under operating lease are classified as investment properties only if they meet recognition other criteria. Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Centre uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the directors. Investment property that is being redeveloped for continuing use as investment property for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

2.5 Investment properties (continued)

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Centre and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Changes in fair values are recorded in the statement of comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property under construction and stated at cost until construction or development is complete.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income.

2.6 Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Purchase costs that are directly attributable to software products controlled by Centre are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;

Directly attributable costs that are capitalised as part of the software product include the software purchase costs. Other development expenditure that do not meet these criteria are recognised as an expense as incurred.

Computer software costs recognised as assets are amortised over their estimated useful lives from time its ready for the intended use, which do not exceed three years.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.8 Financial assets

2.8.1 Classification

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

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

2.8 Financial assets (continued)

(b) Loans and receivables

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

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the reporting date.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Centre commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Centre has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Centre's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in statement of comprehensive income, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of finance income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Centre's right to receive payments is established.

There were no financial assets categorised as fair value through profit or loss or available for sale assets at the statement of financial position date.

2.8.3 Offsetting financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

2.8.4 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Centre assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Centre may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(b) *Assets classified as available for sale*

The Centre assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

2.9 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of operation. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

2.10 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

2.11 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.12 Employee benefits

The terminal benefits such as end of contract gratuity are accrued for employees based on their employment contracts over the period of the contract. These costs are recognised as part of the staff costs in the statement of comprehensive income.

2.13 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Centre has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods/services supplied, stated net of discounts and returns. The Centre recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Centre; and when specific criteria have been met for each of the Centre's activities, as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Centre bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.14.1 Grant income

Government grants are recognised at their fair value where there is a reasonable assurance that the grants will be received and Centre has complied with all attached conditions.

Grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

2.14.2 Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term.

2.14.3 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.15 Capital grants

Capital grants comprise grants received from the Government of Botswana utilised towards capital expenditure. Funds received are credited to capital funds and the related assets are capitalised. An amount equal to the depreciation charge of the fixed assets funded by the capital grant is recognised as income in the statement of comprehensive income. Subsequent movement of fixed assets in terms of sale and impairment are treated accordingly in the capital grants.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

2.16 Related parties

A party is deemed related to the Centre if they are directors of the Centre. Related party transactions are disclosed in Note 23 to the financial statements.

2.17 Leases

Leases of property, plant and equipment where the Centre assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payment. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest bearing borrowings.

The interest element of the finance charges is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful lives of the assets.

Leases of assets under which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

3 Financial risk management

3.1 Financial risk factors

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

(I) Market risk

(i) Foreign currency risk

In the normal course of business, the Centre enters into transactions denominated in foreign currencies and is exposed to foreign exchange risk arising from various currency exposures, mainly with respect to South African Rand, Indian Rupee and UK Pounds. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The Centre does not have significant investments in foreign currencies. Foreign currency bank accounts are maintained by the branches in South Africa, India and UK.

At 31 March 2015, if the currency had weakened / strengthened by 1% against the UK pound with all other variables held constant, surplus for the year would have been P 17,655 (2014: P 13,768) higher / lower, mainly as a result of foreign exchange gain or loss on translation of UK pound-denominated accrued expenses and bank balances.

At 31 March 2015, if the currency had weakened / strengthened by 1% against the South African Rand with all other variables held constant, surplus for the year would have been P 2,415 (2014: P 733) higher / lower, mainly as a result of foreign exchange gain or loss on translation of South African Rand-denominated accrued expenses and bank balances.

At 31 March 2015, if the currency had weakened / strengthened by 1% against the Indian Rupee with all other variables held constant, surplus for the year would have been P 10,395 (2014: P 7,697) higher / lower, mainly as a result of foreign exchange gain or loss on translation of Indian Rupee-denominated other receivables and bank balances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

3.1 Financial risk factors (continued)

(ii) Other price risk

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

(iii) Cash flow and fair value interest rate risk

Fluctuation in interest rates impact on the value of short-term cash investment and financing activities, giving rise to interest rate risk. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risk.

The Centre has no long-term significant interest-bearing assets. The grant is deposited in short-term deposits until it is used for the purpose for which the grant is received from the Government.

At 31 March 2015, if interest rates on short-term deposit had been 1% higher / lower with all other variables held constant, excess of expenditure over income for the year would have been P 448,452 (2014: P 403,837) lower/higher, mainly as a result of higher / lower interest income on floating rate deposits.

(II) Credit risk

Financial assets of the Centre, which are subject to credit risk, consist mainly of debtors and cash resources. The Centre has policies in place to ensure that the premises are rented to customers with an appropriate credit history. Cash deposits are held with high-credit-quality financial institutions. No credit limits were exceeded during the reporting period. Please refer to note 22 for disclosure on credit quality.

(III) Liquidity risk

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

The Centre's financial liabilities as given in the table below consist of accounts payable with a maturity period of less than 12 months from the statement of financial position date. The analyses of financial liabilities into relevant maturity groupings are based on the remaining period at the statement of financial position to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year P
At 31 March 2015	
Trade and other payables	<u><u>14,326,273*</u></u>
At 31 March 2014	
Trade and other payables	<u><u>12,331,557*</u></u>

* Excluding statutory liabilities

3.2 Capital risk management

The Centre's objectives when managing capital are to safeguard the Centre's ability to continue as a going concern and benefits for stakeholders and to minimise the use of debt capital. In order to maintain or adjust the capital structure the Centre may adjust the assets or sell asset to reduce the debt.

The Centre is funded by the Government. Consistent with this objective the Centre does not monitor capital on the basis of the gearing ratio.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

3.3 Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

There are no financial assets classified as fair value through profit or loss at the reporting date. See note 11 for disclosures of the land and buildings that are measured at fair value and note 12 for disclosures of the disposal groups held for sale that are measured at fair value.

4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and judgments concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Centre's accounting policies, management has made the following estimates and judgments that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within next year.

(a) Allowances for doubtful debts

Allowances for doubtful debts is created where there is objective evidence, such as probability of insolvency or significant financial difficulties of the debtor, that Centre will not be able to collect the due under the original terms of the invoice. An estimate is made with regard to the probability of insolvency and the estimated amount of debtors who will not be able to pay.

(b) Property, plant and equipment

The Centre follows the guidance of IAS16 (revised) and determines the residual values and useful lives of assets at each statement of financial position date. This determination requires significant judgement. In making this judgement the management evaluates amongst other factors, the purpose for which the respective asset is acquired, market conditions at the statement of financial position date and the practice adopted by similar organisations.

(c) Investment properties

The Centre follows the fair value model as per IAS 40 in recognising and measuring investment properties, and determines the fair values at the statement of financial position date. This determination requires significant judgement. In making this judgement the management evaluates amongst other factors, the purpose for which the respective asset is acquired, market conditions at the reporting date and the practice adopted by similar organisations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P	2014 P
5 Revenue		
Government grants (Note 6)	108,898,072	79,740,816
Amortisation of Government capital grant (Note 17)	5,261,241	2,893,481
Global Expo income	2,289,409	1,543,422
Rental income	10,896,726	8,651,660
Other income	4,963	345,821
	127,350,411	93,175,200
	2015 P	2014 P
6 Government grants		
Grant income received for the year	111,726,305	87,822,135
Less : capital expenditure for the year (Note 17)	(2,828,233)	(8,081,319)
	108,898,072	79,740,816
	2015 P	2014 P
7 Other income		
Fair value gain on investment properties (Note 12)	7,450,000	13,917,985
	2015 P	2014 P
8 Expenses by nature		
Aftercare expenses	67,793	5,326
Business travel expenses	2,644,674	4,433,367
Branding expenses	16,491,950	6,622,594
Staff costs (Note 9)	51,318,672	36,233,206
Export promotion expenses	1,130,650	2,157,169
Depreciation and amortisation expenses	4,283,297	3,415,056
Global Expo expenses	7,275,529	6,758,756
Investment promotion expenses	3,082,422	902,731
Litigation settlements	-	138,750
Tax and penalties	2,213,176	-
Professional and legal fee	2,135,582	3,580,798
Public relations expenses	5,526,776	6,687,956
Rent expense	7,790,734	7,685,996
Research expenses	1,037,257	826,117
Seminar and conferences	2,698,659	1,594,809
Telecommunication and utilities	3,935,056	5,120,836
Special Economic Zones expenses	5,364,972	-
Other expenses	9,506,162	5,736,128
	126,503,361	91,899,595

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P	2014 P
9 Staff costs		
Salaries and allowances	41,449,629	27,585,953
Social security costs	1,050,618	1,009,707
Gratuity	6,595,357	5,469,798
Staff training and other staff related expenses	2,223,068	2,167,748
	<u>51,318,672</u>	<u>36,233,206</u>
	2015 P	2014 P
10 Net finance income		
Finance income		
Interest income	<u>1,649,132</u>	<u>1,120,347</u>
Finance costs		
Exchange loss	(360,486)	(50,378)
Net finance income	<u>1,288,646</u>	<u>1,069,969</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

	Land and buildings P	Capital work-in- progress P	Leasehold improvements P	Office equipment P
11 Property, plant and equipment				
As at 31 March 2013				
Cost / valuation	29,853,748	3,329,535	198,395	339,021
Accumulated depreciation	(575,049)	-	-	(80,171)
Net book amount	29,278,699	3,329,535	198,395	258,850
Year ended 31 March 2014				
Net book amount at beginning of year	29,278,699	3,329,535	198,395	258,850
Revaluation gain	1,315,830	-	-	-
Additions	-	4,926,199	-	199,918
Cost/valuation on disposal	-	-	-	(48,804)
Depreciation on disposal	-	-	-	24,402
Reclassifications	198,395	(8,255,734)	6,025,774	-
Transfers to investment properties	(26,500,000)	-	-	-
Depreciation	(407,509)	-	(1,098,410)	(93,694)
Net book amount at end of year	3,885,415	-	5,125,759	340,672
As at 31 March 2014				
Cost or valuation	4,052,143	-	6,224,169	490,135
Accumulated depreciation	(166,728)	-	(1,098,410)	(149,463)
Net book amount	3,885,415	-	5,125,759	340,672
Year ended 31 March 2015				
Net book amount at beginning of year	3,885,415	-	5,125,759	340,672
Additions	-	-	-	217,160
Cost/valuation on disposal	-	-	-	-
Depreciation on disposal	-	-	-	-
Depreciation	(85,762)	-	(1,464,547)	(170,337)
Net book amount at end of year	3,799,653	-	3,661,212	387,495
As at 31 March 2015				
Cost or valuation	4,052,143	-	6,224,169	707,295
Accumulated depreciation	(252,490)	-	(2,562,957)	(319,800)
Net book amount	3,799,653	-	3,661,212	387,495

Land and Buildings located at Plot 28, Matsitama Road were transferred to investment properties in 1 October 2013.

Property, plant and equipment were revalued as of 31 March 2012, by an independent valuer.

No assets are pledged as securities and no restrictions on title of the assets.

Computer equipment P	Furniture and fittings P	Motor vehicles P	Total P
1,591,572	1,111,227	1,317,489	37,740,987
(511,914)	(218,353)	(329,372)	(1,714,859)
1,079,658	892,874	988,117	36,026,128
1,079,658	892,874	988,117	36,026,128
-	-	-	1,315,830
1,350,824	-	394,703	6,871,644
(83,061)	(328,202)	-	(460,067)
61,762	130,535	-	216,699
-	2,031,565	-	-
-	-	-	(26,500,000)
(745,529)	(525,241)	(354,041)	(3,224,424)
1,663,654	2,201,531	1,028,779	14,245,810
2,859,335	2,814,590	1,712,192	18,152,564
(1,195,681)	(613,059)	(683,413)	(3,906,754)
1,663,654	2,201,531	1,028,779	14,245,810
1,663,654	2,201,531	1,028,779	14,245,810
847,052	124,708	1,536,960	2,725,880
-	-	(484,929)	(484,929)
-	-	303,081	303,081
(1,092,278)	(577,311)	(663,374)	(4,053,609)
1,418,428	1,748,928	1,720,517	12,736,233
3,706,387	2,939,298	2,764,223	20,393,515
(2,287,959)	(1,190,370)	(1,043,706)	(7,657,282)
1,418,428	1,748,928	1,720,517	12,736,233

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

11 Property, plant and equipment (continued)**Fair values of land and buildings**

An independent valuation of the Centre's property, plant and equipment was performed by valuers to determine the fair value of the property, plant and equipment as at 31 March 2012. The revaluation surplus was credited to other comprehensive income and is shown in 'other reserves' in statement of changes in funds. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

Fair value measurements at 31 March 2015 using

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
--	--	---	--

Recurring fair value measurements

Property, plant and equipment	-	-	3,799,653
-------------------------------	---	---	-----------

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

	Land and buildings P	Total P
12 Investment properties		
Year ended 31 March 2014		
Balance at beginning of year	213,810,000	213,810,000
Additions	622,015	622,015
Transfer from property, plant and equipment (Note 11)	26,500,000	26,500,000
Fair value gain	13,917,985	13,917,985
Balance at end of year	254,850,000	254,850,000
Year ended 31 March 2015		
Balance at beginning of year	254,850,000	254,850,000
Fair value gain	7,450,000	7,450,000
Balance at end of year	262,300,000	262,300,000

The Centre's investment properties were revalued on 31 March 2015 by an independent professionally qualified valuer, Roscoe Bonna Valuers. Valuations were based on current market prices in an active market.

Income, direct and indirect expenses recognised in statement of comprehensive income for the year are as follows:

	2015 P	2014 P
Rental income	10,896,726	8,651,660
Direct costs		
Rates	331,207	76,290
Property maintenance	895,747	82,137
Refund received for BPC connection paid	-	(627,616)
	1,226,954	(469,189)
Indirect costs		
Insurance	123,510	85,210

All investment properties generated rental income. Hence, there are no direct/indirect costs relating to investment properties which did not generate rental income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

12 Investment properties (continued)

Non-financial assets carried at fair value, as is the case for investment property held by the Centre, are required to be analysed by level depending on the valuation method adopted. The different valuation levels are defined as:

Level 1: valuation based on quoted market prices traded in active markets.

Level 2: valuation based on inputs other than quoted prices included within Level 1 that maximise the use of observable data either directly or from market prices or indirectly derived from market prices.

Level 3: where one or more inputs to valuation are not based on observable market data.

All investment properties held by the Centre are classified as Level 3. When the degree of subjectivity or nature of the measurement inputs changes, consideration is given as to whether a transfer between fair value levels is deemed to have occurred. Unobservable data becoming observable market data would determine a transfer between Level 3 and Level 2. The following tables set out the valuation techniques used in the determination of fair values on a property by property basis, as well as the key unobservable inputs used in the valuation models.

Class of property	Market value	Valuation technique	Key Unobservable inputs
Level 3	31-Mar-15		
Investment property			
Factory shells	228,900,000	Income approach	P 20 - 35 rent per sq.m
Office building	28,200,000	Income approach	P 96 rent per sq.m
Residential property	5,200,000	Income approach	P 23,000 rent per month
at 31 March 2015	262,300,000		

	2015	2014
	P	P
13 Intangible assets		
Net book amount at beginning of year	497,411	100,382
Additions	102,352	587,660
Amortisation charge	(229,688)	(190,631)
Net book amount at end of year	370,075	497,411
Cost	3,139,210	3,036,858
Accumulated amortisation	(2,769,135)	(2,539,447)
Net book amount	370,075	497,411

Intangible assets consist of computer software.

	2015	2014
	P	P
14 Trade and other receivables		
Trade receivables	2,141,484	1,103,380
Less: Provision for impairment of trade receivables	(595,340)	(595,340)
	1,546,144	508,040
Prepayments and security deposits	2,125,073	2,666,134
Interest receivable	397,061	91,591
Other debtors	1,735,457	1,343,028
Provision for doubtful amounts	(1,412,338)	(940,043)
	2,845,253	3,160,710
	4,391,397	3,668,750

Current trade and other receivables are receivable within a year. Since the impact of discounting is not significant, the fair value of trade and other receivables equal the carrying amount.

As of 31 March 2015, trade receivables of P 897,460 (2014: 221,693) were fully performing.

As at 31 March 2015, trade receivable P 648,684 (2014: 286,347) were past due but not impaired. These relates to a number of independent customers for whom there is no history of default. The aging analysis of these trade receivables is as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P	2014 P
14 Trade and other receivables (continued)		
Up to 3 months	542,001	264,912
More than 3 months	106,683	21,435
	648,684	286,347

As at 31 March 2015, trade receivables amounting to P 595,340 (2014: P 595,340) were impaired and provided for. The amount of the provision reflecting impairment as at 31 March 2015 was P 595,340 (2014: P 595,340). The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations or have no more business transactions with the Centre for more than three months. It was assessed that the entire amount was not expected to be recovered.

The movement in provision for bad and doubtful debt can be analysed as follows:

	2015 P	2014 P
Balance at beginning of year	595,340	1,128,475
Provision for the year	-	266,820
Receivables written off during the year as uncollectible	-	(799,955)
Balance at end of year	595,340	595,340

Amounts charged to the allowance account are generally written off, when there is no expectation of recovery.

Asset classes other than trade receivables and other receivables do not contain impaired assets.

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

	2015 P	2014 P
15 Cash and cash equivalents		
Short-term deposits	40,960,269	36,638,880
Cash at bank	3,884,918	3,744,772
Cash on hand	6,544	6,544
	44,851,731	40,390,196

	2015 P	2014 P
For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following:		
Bank balances	44,845,187	40,383,652
Cash on hand	6,544	6,544
	44,851,731	40,390,196

	2015 P	2014 P
Cash and cash equivalents denominated in foreign currencies are as follows:		
UK Pounds	1,765,476	1,376,819
South African Rands	241,537	73,258
Indian Rupee	1,049,882	777,385
	3,056,895	2,227,462

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P	2014 P
16 General fund		
Balance at beginning of year	155,732,020	127,027,376
Total comprehensive income for the year	9,585,696	16,263,559
Depreciation transfer	1,160,488	12,441,085
Balance at end of year	166,478,204	155,732,020

	2015 P	2014 P
17 Government capital grants		
Balance at beginning of year	142,308,647	137,120,809
Grant received during the year (Note 6)	2,828,233	8,081,319
Amortisation during the year (Note 5)	(5,261,241)	(2,893,481)
Balance at end of year	139,875,639	142,308,647

The Centre receives capital grants from Government for financing its capital expenditure.

	2015 P	2014 P
18 Trade and other payables		
Staff accruals	7,574,346	5,089,304
Accrued expenses	3,143,262	4,698,962
Other payables	3,608,666	2,906,603
Provisions	2,213,176	-
	16,539,450	12,694,869

Provision made refers to estimated Pay As You Earn, Skill Development levy and Unemployment Insurance Fund liability payable to South African Revenue Services (SARS) from Centre's South African Regional Office. These amounts refers to underpayment of employee taxes for the years of assessment 2010 to 2015 and have been disclosed to SARS on a voluntary basis.

Movement in provision balance during the year is as follows;

	2015 P	2014 P
Provision for the year	2,213,176	-
Balance at end of year	2,213,176	-

Details relating to potential penalties and interest related to above are disclosed in note 24 - Contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

19 Commitments**(i) Financial commitments****Operating lease commitments – where the Centre is the lessor.**

The Centre has rented out properties under cancellable operating leases. The future minimum rent receivable under cancellable rent agreements are as follows:

	2015 P	2014 P
Not later than 1 year	12,319,947	7,891,236

The Centre reviews and negotiates rentals on an annual basis.

Operating lease commitments – where the Centre is the lessee

The Centre has rented office premises under cancellable operating lease in South Africa, United Kingdom, Botswana and India.

Head office in Botswana is under a lease agreement for five years from 1 September 2012 to 31 August 2017 subject to an 8% annual escalation, with an option to renew the lease for further five years.

The Centre has leased an office premises in South Africa for the branch. Current lease is for five years from 1 March 2011 to 29 February 2016 and is subject to a 9% annual escalation.

The Centre had leased a residential property in United Kingdom. Initial lease agreement from 17 December 2012 to 16 December 2013 expired during the previous year and was extended up to and ended 16 December 2014. Rent is not subject to escalation.

The Centre has leased an office premises in India. Current lease agreement is for five years from 14 November 2009 to 13 November 2014. The lease was extended up to 30 April 2015 and agreed rental is not subject to any escalations.

The Centre has leased a residential property in India. Lease agreement was initially for two years from 1 May 2012 to 30 April 2014 and then extended for another two years from 01 May 2014 to 30 April 2016. The lease is not subject to rental escalations.

The future minimum rent payments under cancellable lease agreements are as follows:

	2015 P	2014 P
Not later than 1 year	6,176,866	5,871,709
Later than 1 year and less than 5 years	7,723,799	11,231,079
	13,900,665	17,102,788

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

19 Commitments (continued)**(ii) Capital commitments**

There were no capital expenditure contracted for at the statement of financial position date but not yet incurred.

20 Events after reporting date

There were no events that occurred after the reporting date which would require adjustments to or disclosures in the financial statements.

21 Financial instruments by category

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

	2015 P	2014 P
Loans and receivables:		
<i>Assets as per statement of financial position</i>		
Trade and other receivables excluding prepayments	2,266,324	1,002,616
Cash and cash equivalents	44,851,731	40,390,196
	<u>47,118,055</u>	<u>41,392,812</u>
Other financial liabilities at amortised cost:		
<i>Liabilities as per statement of financial position</i>		
Trade and other payables excluding non-financial liabilities	14,326,273	7,995,907

22 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2015 P	2014 P
Trade receivables		
Group 1	750,000	-
Group 2	147,640	221,693
Total fully performing trade receivables	<u>897,640</u>	<u>221,693</u>

Group 1 - New customers

Group 2 - Existing customers with no defaults in the past

Group 3 - Existing customers with some defaults in the past. All defaults were fully recovered.

	2015 P	2014 P
Cash at bank and short-term bank deposits		
First National Bank of Botswana Limited	13,035,233	8,778,782
Barclays Bank PLC - United Kingdom	1,759,543	1,376,819
Standard Chartered Bank Botswana Limited	13,215,342	9,031,143
Standard Chartered Bank - India	-	777,196
Banc ABC	-	10,000,000
Bank Gaborone Limited	10,186,027	10,000,000
First National Bank of South Africa Limited	235,598	67,319
Stanbic Bank Botswana Limited	5,272,727	273,415
Stanlib Investment Management Services	91,033	78,978
Bank of India	1,049,684	-
	<u>44,845,187</u>	<u>40,383,652</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

22 Credit quality of financial assets (continued)

The Centre only deposit cash with major banks with high quality credit standing and limits exposure to any one counter-party. The Centre has deposits with Standard Chartered Bank Botswana Limited, Stanbic Bank Botswana Limited, Stanlib, First National Bank of Botswana Limited, Barclays Bank PLC, Banc ABC, Bank Gaborone and Bank of India. There are no credit ratings available in Botswana.

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

Standard Chartered Bank Botswana is listed on the Botswana Stock Exchange and is a subsidiary of Standard Chartered PLC, a company listed on the London Stock Exchange.

Barclays Bank PLC - UK is listed on the London Stock Exchange and has a credit rating of AA- (Fitch rating).

Stanbic Bank Botswana Limited is a long established bank in Botswana and a subsidiary of Standard Bank of South Africa. Standard Bank of South Africa is listed on the Johannesburg Stock Exchange and has a credit rating of F2 for short term credits (Fitch rating).

Stanlib is a joint venture between Stanbic Botswana and Stanlib Limited. Stanbic Bank Botswana Limited is a long established bank in Botswana and a subsidiary of Standard Bank of South Africa. Standard Bank of South Africa is listed on the Johannesburg Stock Exchange and has a credit rating of F2 for short term credits (Fitch rating).

Bank of India is a nationalised bank in India. The bank has overseas presence in over 22 foreign countries spread over 5 continents.

23 Related party transactions

Botswana Investment and Trade Centre (BITC) was established under the Botswana Investment and Trade Centre Act, 2011 in order to promote, attract, encourage and facilitate local and foreign investments in Botswana as well as export development and custodianship and promotion of the nation's brand.

a) Transactions with the Ministry of Trade and Industry;

	2015 P	2014 P
Grant income received for the year	111,726,305	87,822,135
Less : capital expenditure for the year (Note 17)	<u>(2,828,233)</u>	<u>(8,081,319)</u>
	<u>108,898,072</u>	<u>79,740,816</u>

(b) Key management compensation

Key management includes Board of Directors and members of the executive committee. The compensation paid or payable to key management for employee services together with payments made to the directors are shown below;

	2015 P	2014 P
Key management - basic salary	3,428,094	2,577,624
Key management - allowances	2,186,982	1,053,637
Key management - gratuity and leave pay	1,082,261	1,018,233
Management - total	<u>6,697,337</u>	<u>4,649,494</u>
Payments made to directors	59,010	93,451
	<u>6,756,347</u>	<u>4,742,945</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2015

24 Contingent liabilities

The Centre has made a voluntary disclosure on employee tax underpayment in respect of BITC's South African Regional Office for years of assessment 2010 to 2015. A provision has been made in the financial statements in respect of the estimated tax exposure (Refer Note 18). The current tax position also exposes BITC to potential penalties, interests and/or criminal charges. However, in terms of the section 226 and chapter 16 of Tax Administration Act No 28 of 2011, the Commissioner can grant relief and waive such financial and other sanctions. BITC, through its tax consultants has made a request to the Commissioner to exercise his authority under the section 226 and chapter 16 of Tax Administration Act No 28 of 2011, to grant relief.

The outcome of the submissions made to SARS is still pending.

However, management is confident that the matter will be ruled in favour of BITC.

The potential penalties and interest that may be levied are estimated as follows;

Penalties - P 217,706

Interest - P 455,973

There were no other contingent liabilities at the reporting date.

DETAILED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

Annexure I

	Note	2015 P	2014 P
REVENUE			
Government grants		108,898,072	79,740,816
Amortisation of Government capital grant		5,261,241	2,893,481
Global Expo income		2,289,409	1,543,422
Rental income		10,896,726	8,651,660
Other income		4,963	345,821
Total revenue		127,350,411	93,175,200
EXPENDITURE			
Investment promotion expenses	1	3,082,422	902,731
Export promotion expenses	2	1,130,650	2,157,169
Aftercare expenses	3	67,793	5,326
Public relations expenses	4	5,526,776	6,687,956
Branding expenses	5	16,491,950	6,622,594
Research expenses	6	1,037,257	826,117
Special Economic Zones expenses	7	5,364,972	-
Staff costs	8	51,318,672	36,233,206
Global Expo expenses	9	7,275,529	6,758,756
Administrative expenses	10	30,924,043	28,290,684
Depreciation		4,053,609	3,224,425
Amortisation of intangible assets		229,688	190,631
Total expenditure		126,503,361	91,899,595
Other income		7,450,000	13,917,985
Operating surplus for the year		8,297,050	15,193,590

"This detailed income statement does not form part of the financial statements covered by the audit opinion on pages 80 and 81."

NOTES TO THE DETAILED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

Annexure II

	2015 P	2014 P
1 Investment promotion expenses		
Investment promotion:		
South Africa	267,543	16,505
Czechoslovakia/Poland/Romania	-	57,040
India	14,276	31,376
United Kingdom	406,972	224,906
Domestic investment	63,425	-
Others	1,366,799	4,032
	2,119,015	333,859
Other promotion expenses:		
Management fees	714,536	-
Inward promotion mission	65,859	119,494
External mission - investment promotion	-	449,378
Sector specific promotions	183,012	-
	963,407	568,872
	3,082,422	902,731
	2015 P	2014 P
2 Export promotion expenses		
Ethiopia	3,809	64,739
Mozambique	100,195	137,777
Namibia	16,800	71,562
United Kingdom	-	141,636
Zambia	76,907	123,564
Zimbabwe	149,346	167,643
Export development	404,111	1,450,248
South Africa	379,482	-
	1,130,650	2,157,169
	2015 P	2014 P
3 Aftercare expenses		
Aftercare visits	20,871	5,326
Aftercare survey	46,922	-
	67,793	5,326
	2015 P	2014 P
4 Public relation expenses		
Gifts and donations	58,240	136,460
Corporate social responsibility	433,047	268,576
Promotional material	299,567	215,717
Exhibitions	69,379	5,718
Branding	966,182	3,253,282
Advertising	2,000,077	1,700,601
Publications	1,700,284	1,107,602
	5,526,776	6,687,956

NOTES TO THE DETAILED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

Annexure II (continued)

	2015 P	2014 P
5 Branding expenses		
Brand Botswana	16,491,950	6,622,594
	2015 P	2014 P
6 Research expenses		
Sectorial specific studies	-	2,325
Feasibility studies	543,811	809,832
Market intelligence	139,107	13,960
Economic and market research	340,650	-
External customer satisfaction survey	13,689	-
	1,037,257	826,117
	2015 P	2014 P
7 Special Economic Zones expenses		
Special Economic Zones expenses	5,364,972	-

This notes to the detailed income statement does not form part of the financial statements covered by the audit opinion on pages 80 and 81.

NOTES TO THE DETAILED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

Annexure II (continued)

	2015 P	2014 P
8 Staff costs		
Car allowance	2,396,361	2,021,948
Cell phone allowance	459,215	195,676
Entertainment allowance	293,625	244,789
Executive allowance	22,393	-
Foreign service allowance	862,783	1,212,679
Gratuity	6,595,357	5,469,798
Leave pay	1,052,563	766,710
Medical aid	1,050,618	841,001
Medical insurance	-	168,706
Overtime allowance	71,631	114,107
Recreational expenses	123,036	201,891
Staff welfare and recreation	1,394,681	401,798
Salaries and wages	30,981,568	19,137,317
Utility allowance	349,164	284,734
Housing allowance	2,508,536	1,812,003
Education allowance	804,451	1,192,301
Training	1,674,945	1,907,000
Uniform	2,483	35
Staff movements	129,622	-
Recruitment expenses	545,640	260,713
	51,318,672	36,233,206
9 Global Expo expenses		
Global Expo Botswana exhibition	7,275,529	6,758,756
10 Administrative expenses		
Auditors' remuneration	228,419	269,774
Impairment of receivable	660,587	1,206,863
Bank charges	189,139	166,162
Board activities	106,101	91,448
Business travel expenses	2,644,674	4,433,367
Car rental	7,117	7,774
Computer expenses	837,349	527,819
Directors' fees	79,940	48,900
Entertainment	211,746	221,363
Insurance	951,578	468,554
Motor vehicle running expenses	263,329	192,900
Office equipment lease	672,150	119,678
Office expenses	970,213	566,000
Stationery	668,346	670,766
Professional, consultancy and legal fees	2,135,582	3,580,798
Tax and penalties	2,213,176	-
Property maintenance	1,262,214	2,280
Rates	340,841	76,290
Rent	7,790,734	7,685,996
Security expenses	943,971	456,988
Seminars and conferences	2,698,659	1,594,809
Subscriptions	598,060	374,927
Transport, travel and subscriptions	515,062	406,392
Telecommunications	3,529,300	3,928,656
Utilities	405,756	1,192,180
	30,924,043	28,290,684

This notes to the detailed income statement does not form part of the financial statements covered by the audit opinion on 80 and 81.

BITC HEAD OFFICE

Private Bag 00445,
Gaborone, Botswana

Plot 54351,
Off P G Matante Road,
Exponential Building
Central Business District
(CBD)
Ground Floor,
Exponential Building
Gaborone, Botswana
Tel: +267 3633300
Fax: +267 3181941/ +267
3170452
www.bitc.co.bw

UNITED KINGDOM

6 Straford Place
London W1C 1AY
United Kingdom
Tel: +44 781 8182995
Tel: +44 207 4990031
Fax: +44 207 4918528

INDIA

No 43 Maker Chamber VI
Nariman Point
Mumbai 400 021
India
Tel: +91 2243 602100
Fax: +91 22 43602111

SOUTH AFRICA

88 Stella Street, Sandown
Mews
3rd Floor- West Wing,
Sandown
Johannesburg, South Africa
Tel: +27 11 884 8959
Fax: +27 11 883 7798