BOTSWANA POWER CORPORATION

Accelerating Electricity Access

ACCELERATING ELECTRICITY ACCESS
BOTSWANA POWER CORPORATION ANNUAL REPORT 2019

Botswana Power Corporation
Annual Report 2019

Key Business Terms & Ratios

Borrowings/Debt
All interest bearing liabilities.

Operating Profit
Profit before deducting finance cost and before adding investment income.

Total Liabilities
Non-current liabilities and current liabilities.

Current Ratio
Current assets divided by current liabilities.

Cost of borrowing
Finance costs expressed as a percentage of average total debt.

Liquidity Ratio
Current assets less inventory divided by current liabilities.

Gearing Ratio
Total debt as a percentage of capital employed.

Gross Margin
Operating profit before depreciation expressed as a percentage of operating revenue.

Interest coverage Ratio
Operating profit after depreciation plus investment income divided by financing costs.

Return on property, plant and equipment
Net profit expressed as a percentage of property, plant and equipment.

Earnings to irredeemable capital
Net profit expressed as a percentage of irredeemable capital.

Return on operating assets
Operating profit expressed as a percentage of fixed assets and net working capital.

Return on investments
Interest received expressed as a percentage of average total investments and deposits on cash and call accounts.

System losses
The power that is lost during transmission and distribution due to resistance (impedance) of the system through which the electricity flows.

Return on total average assets employed
Operating profit relative to its total average net assets.

Operating profit/loss to revenue
Operating profit or loss expressed as a percentage of revenue.

Head Office

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Auditors

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Gaborone, Botswana

Bankers

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Barclays House P O Box 478.
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First National Bank of Botswana Limited
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Standard Chartered Bank of Botswana Limited
P O Box 496, Gaborone, Botswana

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Overview

Botswana Power Corporation
Annual Report 2019

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Botswana Power Corporation

Introduction

Botswana Power Corporation (BPC) was formed in 1970 by an Act of Parliament and is responsible for the generation, transmission and distribution of electricity within Botswana to areas approved by the Ministry of Mineral Resources, Green Technology and Energy Security.

It is regulated by the Botswana Energy Regulating Authority (BERA). The Corporation is currently implementing its five-year transformation strategy, Masa 2020, whose objectives are to ensure that BPC becomes a financially self-sustaining entity that provides reliable and affordable access to electricity.

MASA 2020

The transformation strategy is based on the following strategic pillars:

A NEW ENERGY MIX:
The Corporation is embracing solar photovoltaic electricity generation particularly through the incoming independent power producers and will use the technology as part of an imaginative future energy mix to deliver power efficiently and cost effectively.

BRING POWER TO THE PEOPLE:
We are committed to employing all the resources available to us, backed by Government, to take the empowering benefits of electricity countrywide.

MAKING BPC PROUD AGAIN:
Pride in their work and in their workplace is fundamental to employee morale, efficiency and productivity. A vital enterprise-wide goal is that of promoting and enabling the transformation of how our people view the Corporation.

Our Mission

To provide safe, competitive and reliable electricity services.

Our Vision

A leading power distributor in the region.

Our Values

- **Valued Citizen**
- **Zero Harm**
- **Service Excellence**
- **Growth**
- **Ethical Conduct**

Value Added Statement

	2019 P'000	2018 P'000
VALUE CREATED		
Revenue	3,363,144	3,009,561
Consumer Tariff Subsidy	800,000	1,457,000
Other Income	117,511	157,826
Less Energy Inputs and Other Expenses	(2,753,483)	(2,431,481)
	1,527,172	2,192,907
Finance Income	26,994	16,539
TOTAL VALUE CREATED	**1,554,166**	**2,209,445**
VALUE DISTRIBUTED	**826,662**	**1,057,887**
Employees-Salaries and Benefits	511,053	673,831
Finance Costs to Lenders	275,055	239,654
Taxation to Government	40,554	144,403
VALUE RETAINED (DEVELOPMENT AND MAINTENANCE)	**727,504**	**1,151,559**
Depreciation	525,583	477,450
Net Profit	201,921	674,108
TOTAL VALUE DISTRIBUTED AND RETAINED	**1,554,166**	**2,209,445**
VALUE CREATED (P'000)		
Revenue per employee	2,017	1,547
Value Added per employee	932	1,135
Value Added per GWh generated	396	575

Operational Highlights

▲ **12%**

Total Revenue

Increased by 12% to P3.363 billion in 2019 compared to P3.010 billion in 2018

▽ **26%**

Other Operating Income

Stood at P117.511 million against P157.826 million recorded in 2018

▲ **2%**

Total Operating Expenditure

Total operating expenditure of P3.553 billion in 2019 reflecting 2% increase from prior year P3.467 billion

▽ **45%**

Tariff Subsidy

Tariff subsidy reduced from P1.457 billion in the prior year to P800 million

▲ **20%**

Power Purchases

Increased to P861 million in 2019 from P720 million in prior year

▽ **83%**

Total Comprehensive Income

Recorded Total Comprehensive Income of P276.141 million compared to P1.608 billion in 2018

▲ **48%**

Current Assets

Increased by 48% from P1.797 billion in 2018 to P2.662 billion in 2019

▲ **5%**

Non-Current Assets

Increased by 5% (P1.016 billion) to P20.153 billion compared to P19.137 billion in 2018

▲ **2%**

Non-Current Liabilities

Increased by 2% to close the year at P7.974 billion against P7.855 billion in the prior year

▲ **18%**

Current Liabilities

Increased to P4.056 billion compared to P3.434 billion in the prior year

▲ **12%**

Shareholder's Equity

Increased to P10.785 billion in 2019 from P9.644 billion in 2018

Key Annual Statistics

For the year ended 31 March 2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total unit sales (GWh)	3,294	3,336	3,349	3,479	3,495	3,449	3,310.1	3,197.7	3,118	3,151
Total generation (sent out) and imports (GWh)	3,925	3,844	3,928	4,043	4,024	3,704	3,650.1	3,590.9	3,551	3,414
Staff Establishment	1,667	1,946	2,106	2,117	1,964	1,922	1,977	2,047	2,188	1,841
Total consumers	463,250	434,795	409,925	367,003	367,003	343,050	315,669	291,338	251,773	214,170
Plant capacity Morupule B (MW)	600	600	600	600	600	600	-	-	-	-
Plant capacity Morupule A (MW)	132	132	132	132	132	132	132	132	132	132
System maximum demand (MW)	610	610	610	610	610	572	578	542	553	553
Average selling price per unit (Thebe/kWh)	105	94	84	82	73	66	60	57	48	36
Average cost per unit (Thebe/kWh)	104	99	126	139	129	104	109	85	68	57
Operating Results (P'000)										
Total Revenue	3,363,144	3,009,561	2,768,846	2,857,161	2,533,578	2,260,196	1,984,200	1,815,601	1,512,236	1,135,474
Net Operating Expenses	3,435,165	3,308,743	4,207,982	4,851,042	4,519,671	3,586,058	3,606,721	2,635,037	2,119,262	1,699,047
Operating Profit/(loss) before Revenue Grant	(72,021)	(299,182)	(1,439,135)	(1,993,881)	(1,986,093)	(1,325,862)	(1,622,521)	(819,436)	(607,026)	(563,573)
Revenue Grant from the Government of Botswana	800,000	1,457,000	1,667,500	2,321,360	2,326,800	1,488,000	871,000	508,000	454,000	-
Operating profit/(loss) after Revenue Grant	727,979	1,157,818	228,365	327,479	340,707	162,138	(751,521)	(311,436)	(153,026)	(563,573)
Net Profit/(Loss)	201,921	674,108	(140,247)	(99,613)	(274,905)	114,053	(1,254,836)	(1,122,872)	(796,620)	(1,572,169)
Capitalisation (P'000)										
Long term debt	5,393,293	5,219,490	6,215,308	6,953,734	6,743,406	6,330,541	6,313,407	5,359,783	4,154,439	1,460,764
Net assets	10,784,690	9,644,289	6,550,883	5,030,983	4,546,958	4,758,887	4,464,695	4,344,744	5,117,891	5,269,867
Capital expenditure and Work In Progress (WIP)	1,023,771	1,468,046	1,818,737	1,052,189	358,218	423,346	989,467	1,786,583	3,930,033	3,086,888
Electricity (GWh) Source										
Morupule A	27	28	0	0	0	0	46	250	437	532
Morupule B	3,200	3,405	3,007	2,702	2,859	2,213	714	0	-	-
Station usage	403	429	376	338	410	292	91	30	66	75
Sent out	2,824	3,004	2,631	2,365	2,449	1,921	669	220	371	457
Purchased	1,101	840	1,297	1,679	1,575	1,783	2,981	3,371	3,180	2,985
Total sent out and purchased	**3,925**	**3,844**	**3,928**	**4,043**	**4,024**	**3,704**	**3,650**	**3,591**	**3,551**	**3,442**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sales disposition (GWh)										
Mining	669	676	837	1,114	1,194	1,197	1,128	1,086	1,117	1,141
Commercial	1,132	1,149	1,107	1,087	1,059	1,028	982	910	820	831
Domestic	1,091	1,065	1,022	955	941	927	918	879	873	829
Government	316	319	314	323	301	297	282	323	308	308
Southern African Power Pool	86	127	70							
Total sales	**3,294**	**3,336**	**3,349**	**3,479**	**3,495**	**3,449**	**3,310**	**3,198**	**3,118**	**3,109**
Transmission and distribution Losses (GWh)	631	509	579	564	529	255	340	393	434	333
System losses (%)	**14.00%**	**14.90%**	**16.29%**	**15.23%**	**14.63%**	**7.47%**	**10.30%**	**12.30%**	**13.90%**	**10.70%**
Total consumers	**463,250**	**434,795**	**386,024**	**386,024**	**367,003**	**343,050**	**315,699**	**291,338**	**251,773**	**214,170**
Sales growth (%)										
Mining	**-1%**	**-19%**	**-25%**	**-7%**	**-0.2%**	**6%**	**4%**	**-2.8**	**-2.1**	**1.6**
Commercial	**-1%**	**4%**	**2%**	**3%**	**3%**	**5%**	**8%**	**11%**	**-1.3**	**13.1**
Domestic	**2%**	**4%**	**7%**	**2%**	**1%**	**1%**	**4%**	**1%**	**5.3**	**7.9**
Government	**-1%**	**2%**	**-3%**	**7%**	**1%**	**5%**	**-13%**	**5%**	**0.1**	**5.9**
Total sales (decline) growth	**-1%**	**0%**	**-4%**	**0%**	**1%**	**4%**	**4%**	**3%**	**0.3**	**6.6**
Earning ratios (%)										
Net margin	6.0%	22.4%	-5.1%	-3.5%	-10.9%	5.0%	-63.2%	-61.8%	-52.7%	-138.5%
Earnings to irredeemable capital	8.4%	14.7%	3.6%	7.0%	8.3%	4.0%	-20.3%	-9.7%	-7.0%	-34.4%
Return on total average assets employed	0.9%	3.2%	1.2%	1.8%	2.0%	1.0%	-4.6%	-2.1%	-1.0%	-3.8%
Operating Profit/(loss) to revenue	21.6%	38.5%	8.2%	11.5%	13.4%	7.2%	-37.9%	-17.2%	-10.1%	-49.6%
Return on revalued Property, Plant and Equipment (%)	3.8%	6.2%	1.4%	2.1%	2.3%	1.1%	-4.6%	-2.1%	-1.0%	7.8%

BOTSWANA POWER CORPORATION

Our Leadership team is tasked with protecting and indeed growing the vision of BPC, and ensuring delivery of our turnaround strategy for the organisation.

Leadership

Botswana Power Corporation
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Chairman's Review

Dear Stakeholder,

I am pleased to present our Annual Report for the financial year 2019.

Work continued to drive the Masa 2020 Transformation Strategy, whose primary objective is to achieve a turnaround that will make the Corporation financially self-sustaining while providing reliable and affordable access to electricity.

Several projects and initiatives are in progress to enhance the Corporation's power generation, transmission and distribution capacity, as well as the overall customer and employee experience.

We are pleased to have recorded a consecutive year of profitability with Total Profit and Total Comprehensive Income amounting to P201.921 million and P276.141 million respectively. However, our financial performance was negatively affected by Morupule B Power Station's (MBPS) lower availability rate, compared to the previous financial year, which culminated in high power imports. The reduction of Consumer Tariff Subsidy from P1.457 billion in the previous year to P800 million for the reporting year also negatively impacted on financial performance due to the non-cost reflective tariff increase.

Bonny Thebenyane
Board Chairman


BPC

Chairman's Review
Continued

Morupule A Power Station (MAPS) underwent refurbishment to return it to service after which our in-country power generation capacity will be further enhanced in the following year.

Morupule B Power Station (MBPS) availability recorded higher fluctuations compared to the previous year due to the defects identified in all of its four (4) units at commissioning phase. This exposes our security of supply since MBPS is the Corporation's base load power station. In 2019, MBPS contributed 71% of the required 3,925,417 MWh to meet local demand. The Corporation will commence the 4-year long Morupule B Remedial Works Programme in June 2019, whose primary outcome is improved station availability.

To supplement our locally produced power, we have emergency diesel powered plants at Matshelagabedi (70 MW) and Orapa (90 MW), which are kept in continuous ready state as the country's fallback position in the event of power supply deficits. In addition, we supplement in-country power supply through bilateral power agreements with the regional power utilities, which allow for the trading of electricity across the Southern African Power Pool (SAPP). However, the growing power supply challenges faced by the majority of utilities in the region have meant that reduced volumes of supply are available for trading. This particularly affects the geographical areas that are not connected to our National transmission grid and are instead serviced through cross-border supplies from the neighbouring countries across various international boundary points.

115
Electrification
of 115 Villages

43
New Villages to
be Electrified

72
Villages Set For
Network Extension

One of Masa 2020's objectives is to increase the renewable energy portion of our target hybrid energy mix. The Corporation has initiated projects towards the generation of electricity using solar photovoltaic (PV) technology. Renewable energy projects will not only enhance the volume of locally produced power, will also assist in reducing the Corporation's, and Botswana's, carbon emissions.

A section has been set up within our operations to facilitate the participation of Independent Power Producers (IPPs) in the production of renewable energy with the Corporation as the off-taker. The initial initiatives intended to aid the achievement of a new energy mix using this model are (2 x 50 MW) Solar PV Project and the 12 Villages Grid Tied Solar projects with a total capacity of 35 MW. Both projects are at various stages of the procurement process.

The North West Transmission Grid Connection Project was commenced in January 2019 and is targeted for completion by the end of March 2020. This additional transmission infrastructure will relieve the north western areas of Botswana of reliance on cross border supply from Namibia. This development will support mining, tourism and other Government activities intended to enable economic growth and diversification in this part of Botswana.

Due to historical resource constraints, the health of our distribution network has deteriorated over time and the two consecutive periods of relative profitability have provided us with a window of opportunity to pursue an aggressive network rehabilitation programme. This work will take three years to complete and its desired outcome is a more robust distribution network that can better withstand inclement weather conditions.

The Corporation has also prioritised reinforcement of the transmission grid in the Southern part of the country due to higher demand of electricity as a result of increasing economic activities. A provision of P463.5 million was made by Government in 2019 for the construction and commissioning of four (4) bulk supply points at Mochudi, Ramotswa, Tlokweng and Gaphatshwa. The project, which is undertaken in phases, is scheduled for completion by June 2021.

In support of Government's intention to increase access to electricity by Batswana, the Corporation continues to be the sole implementer of the country's Rural Electrification Project. During the year, the Corporation commenced the electrification of 115 villages, of which forty-three (43) were to be newly electrified villages while seventy-two (72) villages were ear-marked for network extensions. This work is awarded to citizen contractors in line with the Government's Citizen Economic Empowerment and Economic Diversification Drive initiatives.

The nature of our business requires disciplined adherence to Safety, Health, Environment and (SHE) standards. To enhance public, employee and contractor safety, he Board Technical Committee has been assigned oversight of SHE. Through this the Corporation has been able to draw on the experience of the Committee members.

In relation to the environment, in 2019 we implemented our Biodiversity Action Plan, focussing mainly on waste segregation, waste recycling and vegetation management.

Chairman's Review
Continued

The Corporation shows care and compassion to different communities in need. Through our Corporate Social Responsibility (CSR) efforts, we have transformed the lives of school children, youth, elderly people, women, as well as sports persons. In addition, we contributed towards the improvement of basic education, health and wellness through funding of beneficiary groups. In order to deliver a more structured and sustainable approach towards our community upliftment activities, a foundation shall be established for this purpose in the coming financial year.

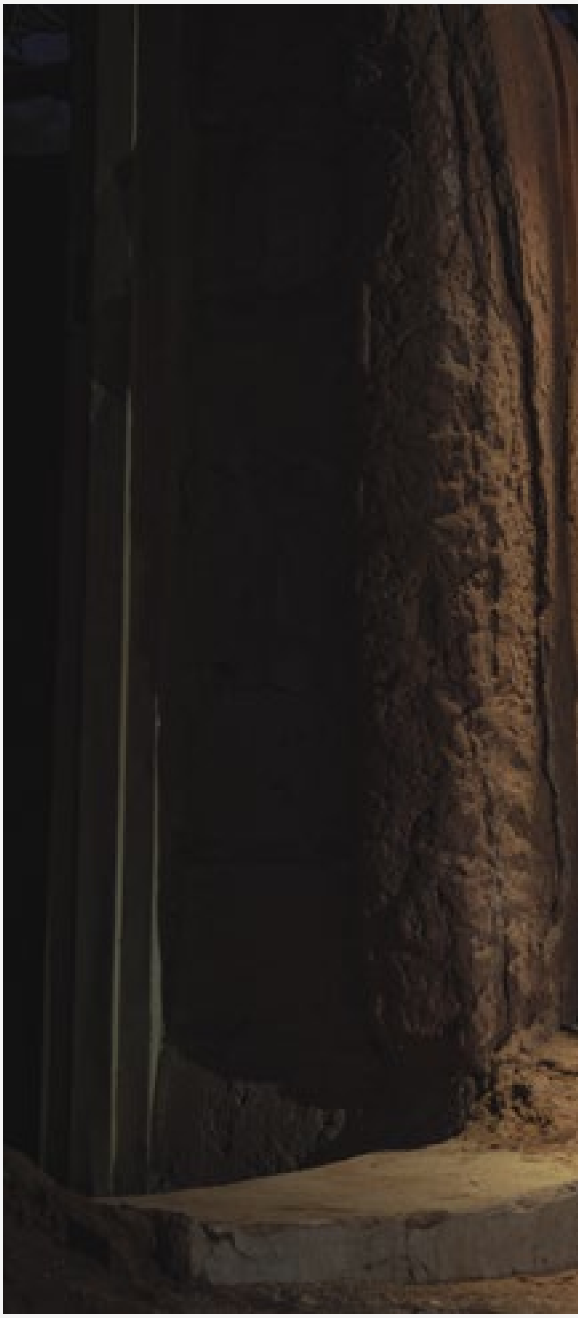
Masa 2020 also seeks to restore brand loyalty through pride at work amongst our people. Efforts were made to continue cultivating an innovative and high-performance culture across the business by exposing employees to relevant training and behavioural transformation initiatives.

We still have some distance to go before we achieve the desired level of business health, which requires all our teams to work harder and smarter to build a resilient and agile organisation.

On behalf of the Board of Directors, I wish to express our gratitude to Management and all our employees for their efforts during this financial year. They have delivered against a backdrop of various challenges.

In conclusion, I wish to acknowledge the close support that we receive from our Government as we execute our broad mandate. It is because of this support that we are confident our long term vision shall be realised.

Bonny Thebenyane
Board Chairman



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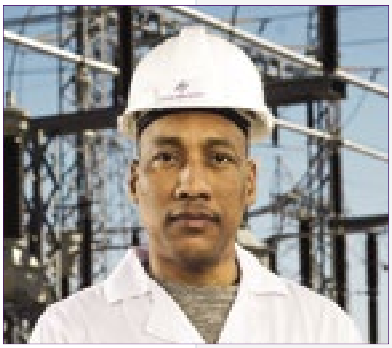
Board Member Profiles

Mr. Bonny Thebenyane



Board Chairman

Mr. Thebenyane holds a Bachelor of Commerce (Accounting) Degree from the University of Botswana. He joined Debswana in 1997 and is currently Group Secretary. He is a Fellow and a Director of the Southern African Division of the Institute of Chartered Secretaries and Administrators. In 2006, he was elected President of the Institute, the youngest and first person from outside South Africa to hold the position. He received the Institute's Distinguished Service Award in 2011. He previously served on the Debswana Pension Fund Board of Trustees.

Prof. Oboetswe Seraga Motsamai

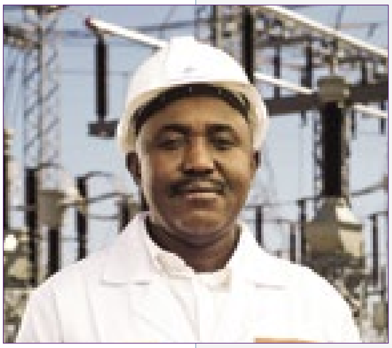
Appointed
1st April 2019

Vice Chairman

Prof. Oboetswe Seraga Motsamai is a Mechanical and Aeronautical Engineering Professor at University of Botswana, Department of Mechanical Engineering. He received a BEng. in Mechanical Engineering from the University of Botswana and an MSc. Degree in Thermal Power and Fluids Engineering from the University of Manchester Institute of Science and Technology (UMIST). He received a PhD in Mechanical and Aeronautical Engineering from the University of Pretoria in 2008, and got a Golden Key International Award for excellence in research. He started his career in engineering with Kentz Botswana, a mechanical engineering contractor, and later worked for G4 Consulting Engineers, before joining UB.

He has researched and published extensively in the area of mechanical, aeronautical engineering and renewable energy, collaborating with local and international companies on R&D projects. He has served the University of Botswana on many high level committees: i.e. HOD, SENATE and FAPRAC. He also served in the Advisory Board for Botswana College of Engineering and Technology. He served the Government of Botswana in various committees and assignments: i.e a member of a committee under the Ministry of Mineral Resources, Green Technology and Energy Security for Concentrated Solar Thermal Power plant (100 MW), development of a 100MW photovoltaic power station, development of BERA policy documents and the recent Energy Balance exercise. He has previously assisted CEDA, LEA and other companies in engineering related projects.

Mr. Bernard Kenosi



Member

Mr. Kenosi holds a Bachelor's Degree in Civil Engineering from the University of Botswana and a Master's Degree in Engineering Project Management from the University of Pretoria. He started his professional career in 1996 as a Construction Engineer at Bergstan, joining Debswana in 2004 as a Section Engineer at the Orapa, Letlhakane and Damtshaa Mines. In 2006, he joined BCL Limited as Manager Projects Management. He was Technical Coordinator at Gem Diamonds Botswana at Ghaghoo mine until 2018. Mr. Kenosi currently runs a construction projects management consultancy that supports mines and Government.

Dr. Leungo Kelebopile

Member

Dr. Kelebopile is a Lecturer in the Department of Mechanical, Energy and Industrial Engineering at Botswana International University of Science and Technology (BIUST). He has previously worked as a Renewable Energy Engineer at Botswana Technology Centre (now BITRI). He holds an MSc in Renewable Energy Systems Technology from Loughborough University and a PhD in Thermal Power Engineering from Harbin Institute of Technology.

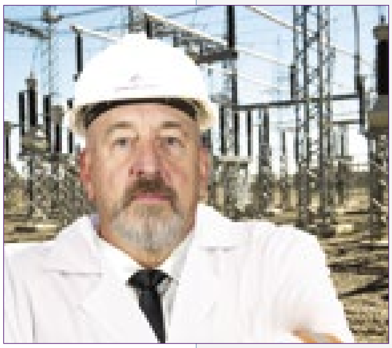
Appointed
1st April 2019

Board Member Profiles

Continued

Mr. Keith Thomas Blanchard

Member



Mr. Blanchard is a member of the MIE Institute of Engineers, London UK, and the South African Council for the Project and Construction Management Professions. He kick-started his career in Engineering as the Project Engineer at the United Kingdom Atomic Energy Authority from 1971 to 1977. Over the years, Mr. Blanchard has headed various large mining sector projects in the United Kingdom, South Africa and Zambia from 1977 to 2006. In 2007, he joined Anglo Platinum as the Programme Manager in the Process and Mining Projects Division which position he held until 2012. He has also worked at Debswana Diamond Company as the Technical Services Director. He is currently retired.

Mr. Vincent Kinnear

Member

Mr. Vincent Kinnear graduated from the University of Botswana with a Bachelor of Engineering (Electrical and Electronics) in 2003. He holds a Post Graduate Certificate in Enterprise Risk Management and PRINCE2 Practitioner certificate. He is a Professional Engineer registered with Engineers Registration Board.

Mr. Kinnear joined the Department of Water Affairs in 1995 where he served and held various positions in project management, design, operation and maintenance fields. He has held the position of Head of Electromechanical Division since 2008, and was promoted to the position of Deputy Director Project Management Office on the 1st June 2018, in the Ministry of Land Management, Water and Sanitation Services.

Ms. Gaanewe Mogotsi

Member

Ms. Gaanewe Mogotsi is knowledgeable in project monitoring and implementation and has over 20 years of experience in this field, working in the public sector. She holds a Master's Degree in Trade and Development (Economics) from University of New South Wales, Australia, a Post Graduate Certificate in Risk Management from Botswana Accountancy College and a Bachelor of Arts (Economics) from University of Botswana. Ms. Mogotsi is currently employed as Deputy Director Development Programmes at the Ministry of Finance and Economic Development.

Appointed
1st April 2019

Dr. Obolokile Obakeng

Member

Dr. Obakeng is an expert in Geology, specifically in Hydrogeology, and has over 18 years of post qualification experience in this field. He previously served as Director of Water Affairs and is currently Deputy Permanent Secretary in the Ministry of Lands Management, Water and Sanitation responsible for Land Servicing, water and Sanitation. Dr. Obakeng has published extensively in the areas of water resources and environmental management and has received a number of international awards for his works on Sustainability and Resource Management.

Dr. Obakeng joined the BPC Board of Directors in July 2015 and is a Member of the Board Security of Supply Committee as well as the Board Audit and Risk Committee. In addition to his commitments on the BPC Board, Dr. Obakeng is also a Chairman of the Water Apportionment Board and a Member of the Water Utilities Board. He holds a BSc Degree in Geology from the University of Botswana; MSc (with Distinction) in Water Resources Management from the Institute for Geo-Information Science and Earth Observation (ITC-Netherlands) and a PhD in Hydrogeology from Vrije Universiteit Amsterdam in the Netherlands. He is a member of the International Association of Hydrogeologists (IAH).

Resigned
29th August 2019

Board Member Profiles

Continued

Mr. Simon Meti

Member

Mr. Meti began his career in human resources in 1977 as a Labour Assistant in the Department of Labour and Social Security, progressing to the position of Principal Labour Officer heading the Law Enforcement Unit. He joined Botswana Development Corporation as Human Resources Development Manager in 1989, successfully transforming the Personnel Unit by implementing the HR strategy and restructuring the organisation. He joined the Botswana Horticultural Market in 2014, retiring in 2018 in the position of Acting Chief Executive Officer.

Appointed
1st April 2019

Mr. Pelaelo Khowe

Member

Mr. Khowe is a Fellow Certified Chartered Accountant, a Fellow Certified Professional Accountant and holds MBA from the University of Derby with over 18 years of experience in Finance, Accounting and Grants Management. Currently, he is the Financial Advisor in the Ministry of Mineral Resources, Green Technology and Energy Security responsible for the Management of Ministerial Mega Projects Finance and Investment Appraisals. He started his professional career in 2001 as a Financial Accountant at Botswana Post before joining Local Enterprise Authority as Financial Advisor and went on to become In-Country Finance Manager at Botswana-UPenn Partnership. Pelaelo has also held the position of Director, Finance and Administration at the Botswana National Youth Centre and Head of Finance and Administration at TechnoServe Botswana and Group Management Accountant at the BMC. He has attended several Management Development Programmes.

Appointed
1st April 2019

ACCELERATING ELECTRICITY ACCESS

BOTSWANA POWER CORPORATION
ANNUAL REPORT
2019

During the year, the Corporation commenced the electrification of 115 villages

BOTSWANA POWER CORPORATION

Chief Executive Officer's Review

It is my honour to present the Botswana Power Corporation (BPC) performance review for the year ended 31 March 2019. This year turned out to be a challenging one due to both internal and external factors. Nonetheless, the year also reaffirmed our unwavering commitment to achieving Masa 2020 Strategy initiatives underpinned by the following pillars:

- A New Energy Mix: Our global and future responsibility,
- Power to the People: Our local and social responsibility and
- Making BPC Proud Again: Our responsibility as an organisation to our people.

We continue to build on the foundation laid in the past 3 years since the inception of the strategy in 2017 which seeks to turn around the performance of the Corporation.

Cross Kgosidiile
Acting Chief Executive Officer


BOTSWANA POWER CORPORATION
BPC

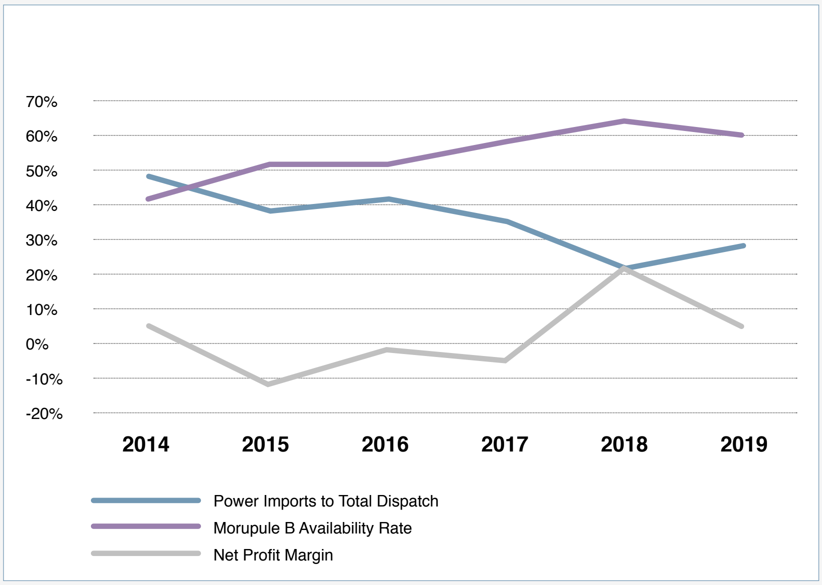
Chief Executive Officer's Review

Continued

Financial Highlights

We take pride in having achieved profitability for the second year in succession. However, the Corporation's financial performance remains vulnerable on account of Morupule B Power Station (MBPS) which has a significant bearing on power imports.

MBPS PERFORMANCE VS NET PROFIT MARGIN



In 2019, Total Revenue increased by 12% to P3.363 billion, compared to P3.010 billion in 2018. The increase in revenue was mainly attributable to the 10% tariff adjustment awarded by the Government. Other Operating Income, which incorporated mainly Consumer Financed Projects recoveries and export of excess electricity through Southern African Power Pool (SAPP), stood at P117.509 million recording a decrease of 26% from P157.826 million in 2018.

Total Operating Expenditure for the year was P3.553 billion compared to P3.467 billion in the prior year reflecting an increase of P61 million (2%) compared to 2018. The Total Comprehensive Income recorded for the year was P276.141 million compared to P1.608 billion in 2018.

The decrease was largely due to:

- Non-current assets revaluation gain for 2019 was lower by P1.009 billion compared to 2018.
- P657 million reduction in Consumer Tariff subsidy.

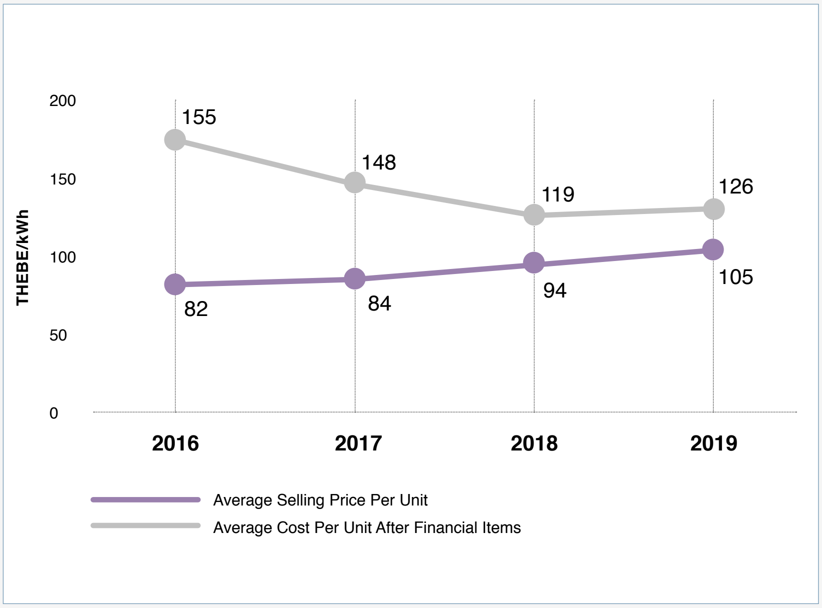
The Total Non-Current Assets net of depreciation increased by 5% (P1.016 billion) to P20.153 billion (P19.137 billion in 2018) and was mainly due to:

- P1.041 billion Additions during the year consisting mainly of Work-In-Progress for Morupule A, Northwest and Rakola Projects. These projects are Government funded.
- P511 million increase on derivative instrument to P855 million valuation. The Corporation has a swap currency instrument to hedge against foreign exchange and interest rate risk exposure on its foreign currency denominated credit facility agreement.
- However, there was a depreciation of P526 million during the year.

The Current Assets increased by 48% from P1.797 billion in 2018 to P2.662 billion in 2019. The Capital and Reserve (Shareholder's equity) was reported at P10.785 billion against P9.644 billion recorded in the prior year. This reflected an improvement of P1.141 billion (12%) on the prior year position. Non-current liabilities increased by P119 million (2%) to close the year at P7.974 billion against P7.855 billion recorded in the prior year. This increase was mainly due to increased borrowings in value due to an adverse USD/BWP exchange rate at year end. Current Liabilities recorded an increase of P622 million (18%) to P4.056 billion compared to a P3.434 billion in the prior year. This increase was mainly due to growth in retention liability on ongoing major projects.

Government intends to migrate electricity tariffs to a cost-reflective level whilst ensuring that they remain affordable to the consumers. This requires the Corporation to exercise prudence in order to avoid possible disparities between cost reflective and affordable tariffs. In 2019, the tariffs charged to the customers reflected an under-recovery of 21 thebe per unit after taking into consideration Financial Items. On the other hand, the Consumer Tariff Subsidy from Government, which aims to cushion the financial impact of non - economic tariffs, was reduced from P1.457 billion to P800 million.

YEARLY UNDER RECOVERIES



Chief Executive Officer's Review
Continued

Since its inception, the MASA 2020 strategy is bearing fruits on account of reducing under recoveries recorded. Nonetheless, the Corporation will need to receive the Consumer Tariff Subsidy from Government for the foreseeable future until its tariffs reach economic levels and in consideration of electricity affordability.

Ongoing Projects

In our efforts to ensure security of power supply, we are engaged in several projects:

Morupule A Power Station Refurbishment

In 2015, the Corporation started the refurbishment of Morupule A Power Station (MAPS) after 26 years of operation at an estimated cost of P2.347 billion. It is expected to return to full commercial operation by the end of November 2019 at generation (gross) capacity of 132 MW. The return of Morupule A will augment generation capacity particularly during Morupule B remediation time in order to improve security of supply.

Morupule B Power Station remedial works

The average plant availability rate of Morupule B Power Station (MBPS) for the year 2019 was 63% contributing 2,800 316 MWh (71%) of the total 3, 925, 417 MWh energy dispatched to meet the national demand. This reflects the fact that in spite of its challenges, the plant still remained the base load supply. Morupule B did not meet its intended purpose of providing 600 MW due to its construction and equipment defects. Subsequently a defect remediation plan is in place and is scheduled to run from June 2019 to January 2023.

Solar PV Development (New Energy Mix)

The current primary energy source for Botswana is coal with the electrical energy demand of approximately 3 900GWh per annum being met from coal fired power plants (Morupule B) and imports from Eskom of South Africa (mostly) whose electricity is generated mainly from coal fired power plants. In order to realise the country's vision (Vision 2036) in respect of renewable energy and to comply with the international environmental protocols which Botswana subscribed to, the Corporation, with support from its parent Ministry has embarked on a project to develop a new energy mix to ensure sustainable development of the energy sector.

In this regard, the 100MW (2X50MW) Grid connected Large Scale Solar PV plants and 12 Grid connected Small Scale Solar PV plants renewable energy projects based on Solar PV are being pursued by the Corporation.

P2.347bn

Morupule A Power Station
Estimated Refurbishment Cost

3900GWh

Electrical Energy Demand
per annum for Botswana

North West Transmission Grid Connection Project

The North West Transmission Grid (NWTG) extension project phase 1 will lead to the extension of the country's high voltage transmission grid from Morupule in Palapye to Maun, Shakawe and Ghanzi via Orapa. The project will provide firm grid supply to the North West part of the country to unlock the potential for economic development, notably in mining and agricultural developments. Furthermore, energy demand in some villages in these areas exceeds the distribution network capacity leading to compromised reliability of supply. It will also reduce reliance on cross border power supply from Namibia to Ghanzi and Shakawe. The project is at advanced stage with all nine components of the project under construction by the three contractors. The project is scheduled for commissioning by the end of March 2020.

Reinforcement of Bulk Supply Points

As at end of 2019, the Corporation was executing a number of projects aimed at reinforcing the transmission grid in the southern part of the country to meet the increasing demand in Gaborone and its environs. The scope of the project covers construction and commissioning of four transmission bulk supply points in Mochudi, Ramotswa, Tlokweng, and Gaphatshwa at a total cost of around P463.5 million. The Gaphatshwa 132/33/11kV substation was commissioned in January 2019, while Ramotswa 132/33kV substation was at implementation stage whereas the substation is scheduled for commissioning in March 2020. Tlokweng's 132/11kV substation was at the Engineering Procurement Contractor (EPC) procurement stage while the Mochudi 132/33kV substation was at design stage. It is expected that the Tlokweng and Mochudi substations will be commissioned by the end of March 2021 and June 2021 respectively.

Rural Electrification Programme

Increasing access to electricity objective is being achieved through Rural Electrification Programme thus playing a crucial role in development of villages in Botswana. It has, for the past 43 years, increased entrepreneurship, social development and to some extent reduced rural-urban migration. On an annual basis, Government supports the electrification of new villages and extension of the network in electrified villages through the Domestic Development Fund (DDF) with BPC tasked with the implementation part of the project.

Service Delivery Enhancement Projects

The Corporation's distribution network was underinvested for a considerable period of time owing to the focus on improving the generation capacity and liquidity challenges. Consequently, the reliability of the distribution network is currently below the desired standard due to several factors including, among others, aged equipment, network overloads where demand exceeds installed network capacity and inadequate maintenance. The Masa Strategy seeks to accelerate investment on the Distribution Network. In this regard, an increase in annual capital commitment to the distribution network is priority as evidenced by the capital investment of P249.440 million in 2019 to be followed by the budget of P422 million in the year 2020. These capital commitments will be internally funded.

Safety, Health, Environment and Risk

The Corporation is committed to creating a safe working environment for its employees, other relevant stakeholders and the protection of the biophysical environment. Therefore, the Masa Strategy underpins the adherence to high levels of safety standards throughout the Corporation's operations. Statutory hygiene standards are observed and resources are devoted towards maintaining the set safety and hygiene standards. For the past three years, there were no fatalities and the Lost Time Injury Frequency Rate (LTIFR) was 0.26 compared to 0.30 in 2018 indicating a reduction of 23%.

0

Fatalities over the past 3 years

23%

Reduction in Lost Time Injury Frequency Rate

Chief Executive Officer's Review

Continued

To minimise the impact on the environment, Biodiversity Action Plan led to the development of Environmental Protection initiatives such as waste segregation at source, waste recycling and vegetation management along transmission and distribution lines in the current year. The milestone achievements in the safety area were mainly attributable to continuous stakeholder engagement and participation in the implementation of the BPC SHER policy. These included weekly SHE toolbox talks by employees in their respective Departments, monthly inter-departmental SHE Committee meetings and management commitment to the implementation of the Environmental Management System (EMS).

Public safety

The risk of illegal connections, vandalism and tampering with live electrical infrastructure on the BPC network remained a great concern during the year. Regrettably, four public fatalities were recorded. The Corporation has a comprehensive public safety awareness programme to combat these challenges.

Environmental Perfomance

To ensure that BPC processes and activities are conducted in an environmentally responsible manner, the BPC Safety Health Environment & Risks policy was revised to inform the Corporation's Environmental Management Systems. The main focus of the review was to strengthen the BPC commitment to environmental protection and more importantly, align the policy to ISO14001:2015.

BPC successfully submitted environmental monitoring reports to Ministry of Environment, Wildlife and Tourism for Environmental Management Plans of MAPS and MBPS in compliance to the regulatory requirements. Deviations observed during the year included exceeding the set local and international SO2 levels at the Morupule B power station. The remedial work planned for MBPS includes a major overhaul of the limestone conveying system to improve compliance. BPC successfully established an air quality station at Kgaswe Primary school in Palapye to monitor ambient air quality and carbon footprint.

Enterprise Risk Management

In its quest to transform, BPC has adopted a risk management philosophy aiming at identifying, predicting potential and emerging risks before they occur. Enterprise risk management culture is being encouraged and embedded through engagement with various Departments. During the year, the Corporation implemented a new risk management structure which combines all risk functions into one Department. Some planned key deliverables include the review of the current ERM framework in line with ISO31000 and increasing the maturity of the risk management process.

Human Capital

The restructuring of the organisation to renew its skills base and to establish a high-performance culture is almost complete. The culture envisages performance excellence in all spheres of the business. This continues to be achieved through investment of resources to adequately train employees to behaviorally transform them to recognise the need to meet the Corporation's expectations while simultaneously fulfilling own aspirations. The Corporation's recruitment process was supported by desirable selection tools to avoid job and skills mismatch. This is intended to make the Corporation characterised by strong customer advocacy.

Corporate Social Responsibility

As the National electricity supply utility, the Corporation is desirous to be recognised as a strong national brand. This can only be achieved through service levels that are upgraded to levels that fulfil customers' expectations. In addition, the Corporation needs to implement defined sustainability programmes that will uplift its image and reputation. In this regard, the establishment of a Foundation that will oversee and execute the Corporation's sustainability programmes is planned for the coming year.

The Corporation continues to be a responsible corporate citizen collaborating with and sponsoring different communities across the country with the intention of leaving a lasting legacy and relieving challenges facing some of the communities in which it operates.

In the current year, the corporate social investment and community outreach footprint focused on improving basic education, health and wellness.

The Outlook

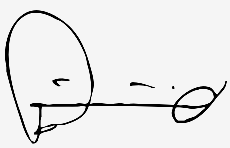
The execution of the current MASA strategy is with challenges as the Corporation is operating in a volatile business landscape. The Corporation is ready to operate in the new regulatory environment whereby the energy sector is becoming liberalized particularly through the introduction of Independent Power Producers. The Corporation will also continue to manage power purchase agreements with regional power utilities during the MBPS remediation period to ensure adequate supply of electricity to its customers. The Corporation needs to run its business efficiently by focusing more on value adding activities, delivering service more efficiently through deployment of relevant technology, outsourcing the non-core activities, optimising the use of its assets, and restructuring its balance sheet in order to achieve sustainable financial performance.

> **BPC successfully established an air quality station at Kgaswe Primary school in Palapye to monitor ambient air quality and carbon footprint**

It is also important for the Corporation to be agile in responding to changes in Government policies, technologies and the requirements of the Regulator in delivering on its mandate to generate, transmit, supply and distribute electricity.

Thanks

I would like to express sincere thanks to BPC's Board of Directors for their visionary support and professional advice to the Executive Management. Special gratitude is granted to the past immediate BPC CEO, Dr. Stefan Schwarzfischer, for his immense contribution to the Corporation. I would also like to extend my thanks to the committed BPC Management team and all members of staff who ensured that we pulled through yet another challenging and exciting year of transformation.



Cross Kgosidiile
Acting Chief Executive Officer

Executive Management Profiles

Cross Kgosidiile

Acting Chief Executive Officer

Mr. Cross Kgosidiile joined the Botswana Power Corporation effective 1st June 2017 as Chief Financial Officer. Mr. Kgosidiile has played a key role in financial restructuring and long term sustainability of the Corporation. He was appointed Acting Chief Executive Officer with effect on 18th March 2019.

He started his career in 1992 as a graduate accounts trainee at Cash Bazaar Group. He joined Air Botswana as Financial Accountant and was later promoted to Finance Manager. As Finance Manager, he was part of the management team that brought about the turnaround of the airline, resulting in the national carrier achieving profitability for seven successive years. He was appointed CEO of Motor Vehicle Accident Fund in 2005, successfully heading the Fund for over ten years. He has served on the boards of Botswana Railways, KYS Investments Holdings Limited, Botswana Building Society and Stanbic Bank. He currently serves on the Boards of PrimeTime Property Holdings Limited and ABM University.

Mr. Kgosidiile graduated from the University of Botswana where he obtained both his Bachelor of Commerce (Accounting) Degree and a Masters in Business Administration. He is a fellow of the Chartered Institute of Management Accountants and also serves as its Membership Assessor. He is also a Fellow Member of the Botswana Institute of Chartered Accountants.

Lerothodi Moshoeshoe

Acting Chief Finance Officer

Mr. Lerothodi Moshoeshoe joined BPC in 2013 as an Asset and Project Accountant at the time when MBPS units were attaining commercial operation. In 2015, he was appointed the Finance Manager responsible for management and coordination of the Corporation's Accounts Payable, Payroll and Taxes function. In 2016, he was appointed the Manager responsible for management of Corporate Financial Planning and Control Functions. During his tenure with BPC, he has been valuable in the making and implementation of Masa 2020 strategy. He has previously worked at Finance Departments of Mascom Wireless and Moghul Group of Companies.

He has a Bachelor's Degree from University of Botswana majoring in Physics and Education. He is also an Associate Member of Association of Chartered Certified Accountants (ACCA).

Zwilithini Witbooi

General Manager Generation

Mr. Zwilithini Witbooi joined Botswana Power Corporation in 2017 from Eskom, South Africa. At Eskom, he oversaw the turnaround of the big Duvha thermal coal power station, a plant of six 600MW turbines totaling 3600MW. He has extensive experience in resolving complex problems at brown field projects with challenges similar to Botswana Power Corporation's Morupule A and B power stations. He has led the modernisation of a number of power plants where new and old technologies are integrated using a combination of engineering design solutions. Mr. Witbooi has played a leading role in ensuring that Morupule B remediation plan and Morupule A refurbishment is fast tracked.

Mr. Witbooi is an Electrical Engineer graduate of Wits University and has also completed Senior Management programme with Henley Business School.

Bakani Nlebgwa

Acting General Manager Human Resources

Mr. Bakani Nlebgwa was appointed acting General Manager Human Resources on 1st March 2019. Mr. Nlebgwa has previously worked for the Government of Botswana in the Ministry of State President (Directorate of Public Service Management (DPSM)) where he served in the following capacities: Assistant Director - Employment Relations, Assistant Director - Human Resource Training and Development, Project Coordinator: Botswana Public Service Human Resource Planning Project: Commonwealth Fund for Technical Cooperation in Collaboration with DPSM. Mr. Nlebgwa has also worked for the Botswana Institute of Public Administration as well as the University of Botswana as a part-time Lecturer in Principles of Management.

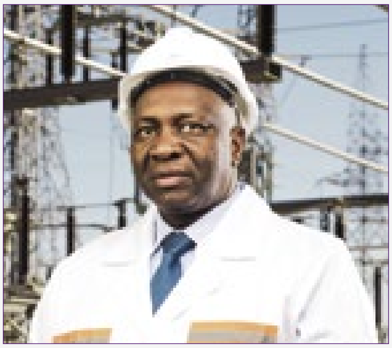
Mr. Nlebgwa holds a Master's Degree in Human Resources and Employment Relations from the University of Western Australia, a Bachelor of Arts Degree from University of Botswana. He is a Certified Professional Member (CAHRI) of the Australia Institute of Human Resources, Certified SHL Occupational Testing Practitioner as well as Botswana Qualifications Authority Accredited Trainer.

Executive Management Profiles
Continued

Emmanuel B. Bopadile

General Manager
Internal Audit

Mr. Emmanuel Bopadile has been in the Internal Audit profession since 1994, having started his career as a Performance Auditor in the Office of the Auditor General. In 1998, he moved to Botswana Housing Corporation (BHC) as a Treasury Accountant, and thereafter he returned to the profession when he joined Botswana Telecommunications Corporation (BTC) in 1999. Mr. Bopadile has also headed the Internal Audit Department at UNIGEM, and was also part of the BCL Internal Audit team in 2016. Mr. Bopadile championed risk based controls self-assessment model.



Edward Rugoyi

General Manager
Transmission and Distribution

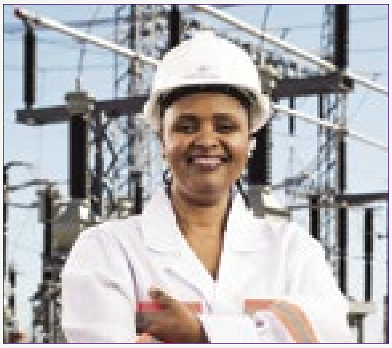
Mr. Edward Rugoyi is a chartered electrical engineer with more than 25 years of experience in power systems gained in the Southern African electricity supply industry. He has specialised expertise in power utility management at senior and executive level which has given him experience in the transformation of power utilities, strategic planning, strategy implementation, power sector reforms and restructuring. His electrical power utility management experience is backed by several years of technical experience in electrical power system operation and maintenance, transmission and distribution infrastructure development, energy transaction agreements comprising operation and maintenance agreements, power purchase agreements, primary fuel supply agreements and cross-border electricity trade.

Dineo Seleke

Manager Marketing and
Communications

Ms. Dineo Seleke, joined Botswana Power Corporation in 2016. She has a role to Manage the Corporation's Internal and External Communications, network the Corporation with critical stakeholders and ensure brand visibility. She is also responsible for the overall media management, Public Relations and implementation of the Corporate Social Responsibility programme for the Corporation.

Before joining the BPC Team, Dineo worked as Executive Coordinator for the Chief Executive Office at National Development Bank of Botswana. Before that she gained valuable experience in Photovoltaic Solar projects through her role as Regional Manager for BPC Lesedi - Maun Office. Dineo has also served as Marketing and Communications Officer for SPEDU Regional Development Agency, an economic diversification unit that was set by the Government to coordinate the development other sectors of the economy besides mining in order to sustain the SPEDU Region.



Annah Moncho

Safety, Health, Environment and Risk Manager

Ms. Annah Moncho joined BPC in 2014 as SHER Manager responsible for Generation Business Unit. In May 2017 she was appointed as Corporate SHER Manager for the whole organisation. Annah has worked previously in various mining houses such as Debswana, Gem Diamonds and African Copper and has previously managed her own consultancy firm. She has gained valuable experience in the field of Safety, Health, Environment & Risk and has successfully implemented best practice standards such as ISO 14001 and OHSAS 18001 in both green and brown field projects.

Ms. Moncho holds a Bachelor of Arts in Public Administration and Environmental Sciences from University of Botswana and has also holds a post graduate qualification in Enterprise Risk Management from Botswana Accountancy College.

Omphitlhetse Saleshando

Strategy and Transformation Manager

Mr. Omphitlhetse Saleshando joined BPC in 2017 as Strategy and Transformation Manager, responsible for facilitating the development and execution of the corporate strategy. Before joining the Corporation he worked in the financial services sector and was Strategy and Business Development Manager at Botswana Life Insurance Limited for four years, responsible for strategy implementation as well as project management and product development. He has also had experience in the fast-moving consumer goods sector, working in various managerial roles at Kgalagadi Breweries Limited. He holds a Bachelor of Science Degree from the University of Botswana and has also completed an MBA with De Montfort University in the UK. He is a Certified Change Management Practitioner and a Chartered Management Accountant.

Joy O.K. Norman

General Corporate Counsel

Ms. Joy Norman holds a Bachelor of Laws Degree from the University of Johannesburg, and is currently pursuing a Master's Degree in Business Administration (Management Specialisation) with the University of St Mark and St John. She has read for a Professional Postgraduate Qualification in Company Secretarial and Governance Practice with the Institute of Chartered Secretaries Southern Africa. She brings with her a wealth of experience across various legal disciplines, including but not limited to: commercial, labour and contractual law, as well as criminal and civil litigation.

BOTSWANA POWER CORPORATION

Ensuring we deliver a caliber of performance that exceeds what is expected of us by our stakeholders is key.

Performance Review

Botswana Power Corporation
Annual Report 2019

ACCELERATING ELECTRICITY ACCESS
BOTSWANA POWER CORPORATION ANNUAL REPORT 2019

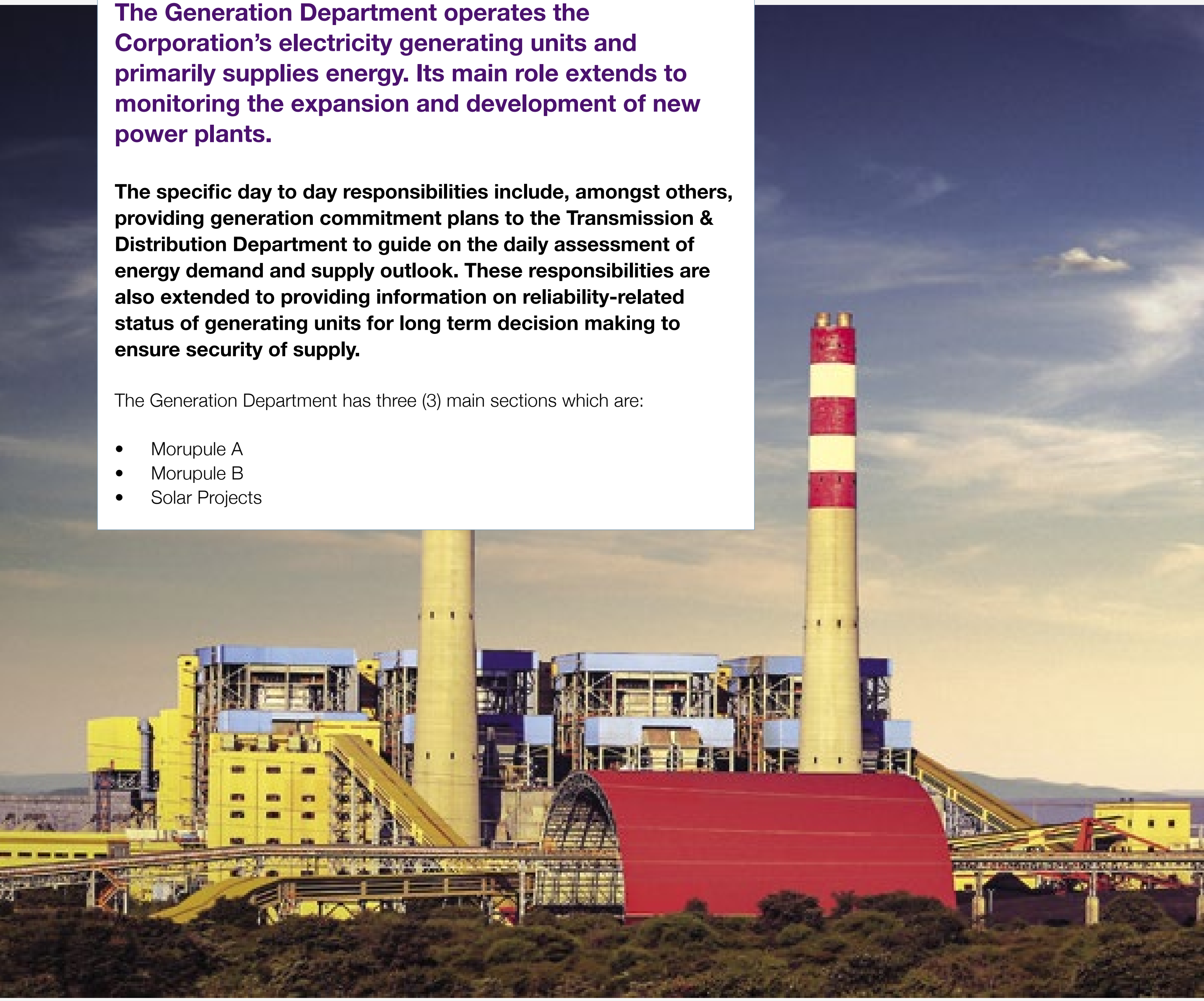
Generation Department

The Generation Department operates the Corporation's electricity generating units and primarily supplies energy. Its main role extends to monitoring the expansion and development of new power plants.

The specific day to day responsibilities include, amongst others, providing generation commitment plans to the Transmission & Distribution Department to guide on the daily assessment of energy demand and supply outlook. These responsibilities are also extended to providing information on reliability-related status of generating units for long term decision making to ensure security of supply.

The Generation Department has three (3) main sections which are:

- Morupule A
- Morupule B
- Solar Projects



The Morupule A and B sections are responsible for the running of the thermal generators which are specially designed furnaces that produce electricity by burning coal to boil water and make steam. The steam is then used to spin a turbine which is connected to a generator that produces electricity.

The refurbishment of Morupule A Power Station (MAPS) by the contractor Doosan Heavy Industries and Construction Ltd. started in 2015 and is planned to be completed by the end of November 2019. The commercial operation of the plant is expected to augment the internal power supply to reduce the dependence on power imports which are becoming increasingly expensive owing to the growing power shortage in the region. The plant has a total capacity of 132 MW and is expected to supply 1, 020 349 MWh when fully operational.

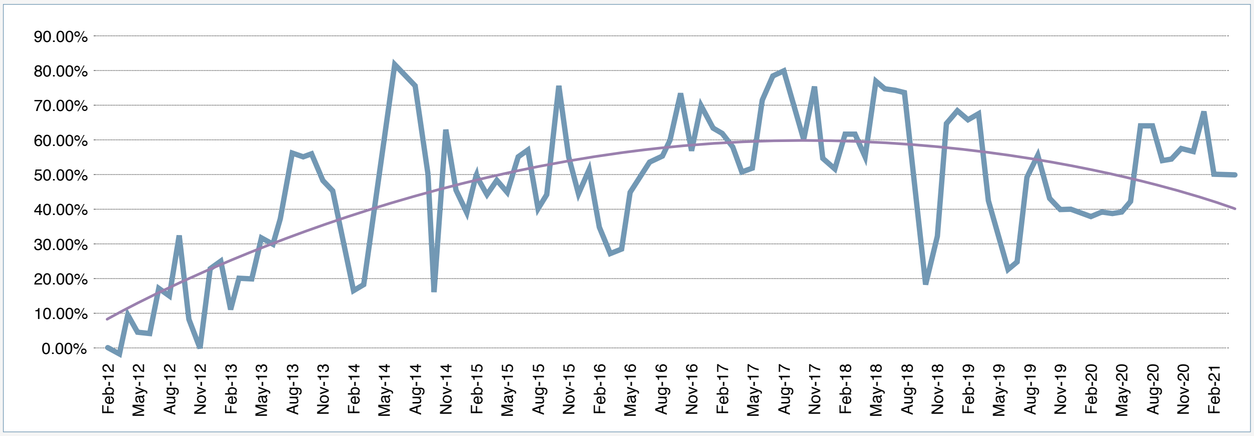
This is estimated to contribute 25% of the total energy required to meet the local demand in the coming year. Morupule A availability is targeted at 77% in the year 2020.

Morupule B Power Plant (MBPS) has an installed capacity of 600 MW (4 X 150 MW). The contract for the Engineering, Procurement and Construction (EPC) of MBPS project was signed with China National Electric Equipment Company (CNEEC) in November 2008 to provide security of power supply as 80% of the country's power requirements were met by imports. The upsurge in new mining license applications also pointed to a growth in energy demand in the mining sector. Construction of the plant commenced in 2010 and its commercial operation status was fully attained in 2014. However, the poor performance of the plant resulted in continued dependence on power imports to meet the local energy demand.

The plant's low availability in subsequent years led to a root cause analysis that pointed to significant construction and equipment defects. Subsequently, the Corporation signed a Defects Remediation Agreement with the contractor to remedy the defects. The agreement will result in the remediation of all plant's defects in a phased manner commencing in the coming year through to January 2023 covering each unit per year. By 2019, engineering works for the defects' remediation was complete and most of the equipment for remediation of the first unit had been delivered to site.

The plant has reached a stage where its availability is consistently low owing to the defects. In addition, during the remediation work, MBPS will have a reduced capacity of three units (450 MW). It is expected that, in 2020, MBPS average availability rate will be 52%.

MBPS Energy Availability Forecast in the absence of remedial works

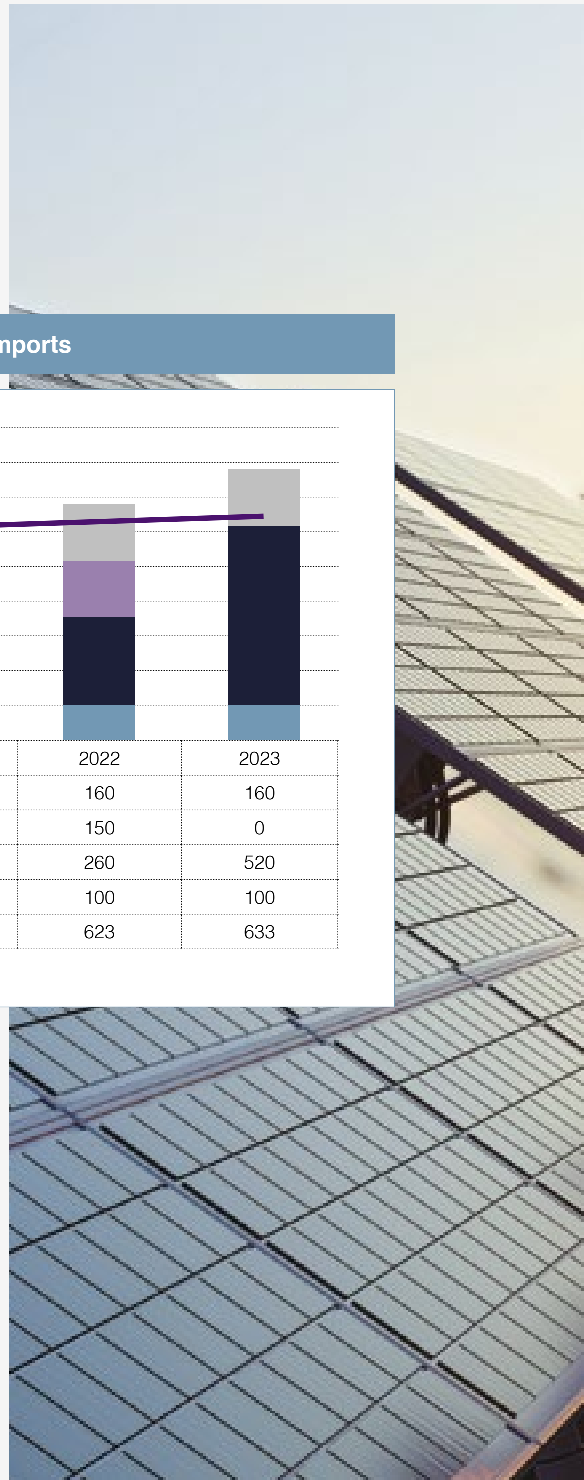


Generation Department

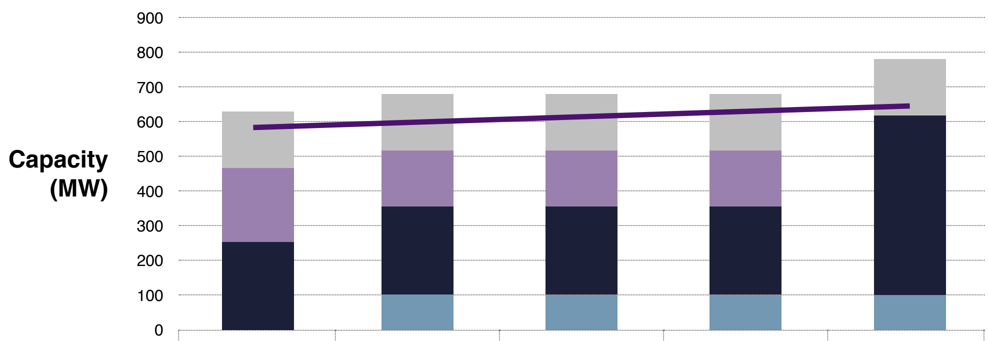
Continued

The Corporation has two (2) diesel operating stations, namely Orapa (90MW) and Matshelagabedi (70MW). These were commissioned in 2010 and 2011 respectively. Both are used as emergency power stations. These plants will mitigate the possible risk of supply shortfall during MBPS remedial works period.

From the Supply - Demand Outlook, it is evident that there is need to secure firm imports from the utilities in the region to ensure security of supply over the next four to five years as the Corporation undertakes Morupule B remedial works.



Supply - Demand Outlook (2019 - 2023) With Imports



	2019	2020	2021	2022	2023
Emergency (Diesel)	160	160	160	160	160
Imports	200	150	150	150	0
Morupule B	260	260	260	260	520
Morupule A	0	100	100	100	100
Peak Demand	596	605	614	623	633

Year

Finally, the Solar Project section was set up to facilitate the participation of Independent Power Producers (IPP's) in the country's renewable energy space. The 100 MW (2X50 MW) grid connected Photo Voltaic (PV) Solar Power Plant is planned for construction. The project is anticipated to be concluded in August 2022.

100MW (2 x 50MW) Solar Project timelines

Activity	Timeline
Shortlisting of bidders	November, 2019
Selection of prefered bidder	September, 2020
Contract/Agreement with IPP	November, 2020
Licencing and Permitting Complete	February, 2021
Conclude Financial Structure and Close	July, 2021
Construction and Commissioning Complete	July, 2021
Dispatch/Sale of Power	August, 2022

12 grid-tied solar plants at the total of 35 MW capacity are also to be developed by IPP's with BPC as an off-taker. Furthermore, 20 off grid solar power plants in 20 isolated villages are to be developed in collaboration with the Ministry of Mineral Resources, Green Technology and Energy Security, together with the Ministry of Local Government.

The section facilitates the procurement process of the IPP's and the development of these planned solar projects. These projects are anticipated to increase the renewable energy contribution of the Corporation's energy mix and to reduce the carbon emissions in line with the Corporation's long-term renewable energy targets. The Solar Projects Section also operates Phakalane 1.3 MW Solar Plant which feeds into the main grid.

The Corporation's Renewable Energy Targets

Source	Target
Masa 2020 Strategy	15% renewable energy contribution to the energy mix by March 2021
National Policy on Renewable Energy (Sustainable Energy for All Until 2030)	15% renewable energy contribution to the energy mix by March 2030
Vision 2036	50% renewable energy contribution to the energy mix by March 2036

Transmission and Distribution Department

The principal purpose of the Transmission and Distribution Department is to oversee the transmission and distribution network assets to reliably transmit and distribute electricity to consumers.

The Transmission and Distribution Department gets bulk supply of electricity from the Generation Department as well as from long-term bi-lateral contracts and from Southern African Power Pool (SAPP) Energy Market to meet the shortfall mostly during peak hours. Villages that are not connected to BPC's transmission grid along the border are supplied through cross border connections from neighbouring countries. The Department transmits electricity using its high voltage network and steps it down to low voltage network before it distributes it to its consumers.

The Transmission and Distribution Department has 5 sections, namely:

1. Network Maintenance
2. Customer Services
3. Network Planning and Development
4. Technical Services
5. Call Centre

Network Maintenance

Network Maintenance mandate is to ensure, optimal utilisation and availability of Transmission Network Infrastructure through safe and cost effective maintenance execution.

During the year, the section was engaged in network refurbishment and reinforcement programme which enhanced secure and reliable delivery of electricity to the consumers. The Corporation has embarked on a distribution network rehabilitation project which entails phased reinforcement or refurbishment of the distribution network over the next three years in an endeavour to improve quality of service to its 463,250 customer base. The Corporation is expecting a reduction in distribution high voltage faults from an average 270 per month to 198 per month. Distribution low voltage faults are expected to reduce from an average of 4,690 per month to 3,192 per month.

In addition to network refurbishment, the Corporation has put in place a maintenance backlog catch-up plan which is expected to significantly improve the network reliability by end of March 2020. The distribution network rehabilitation project will be undertaken by citizen-owned contractors and consultants who are pre-qualified by BPC under its distribution contractors programme.

Areas of focus include improvement of access to service channels through optimisation and automation of business processes and reorientation of the workforce to ensure a customer-centric culture.

Customer Services

Customer Services is divided into three sections, namely: South, Central and North. It primarily deals with customer connections and distribution network infrastructure maintenance to ensure it is done efficiently and safely.

This section also monitors system losses that relate to power that is lost during transmission and distribution due to inherent resistance (technical) of the system and revenue leakages (non-technical). The most common forms of non-technical losses are due to energy theft that includes bypassing of the meters.

Management is planning to set up a high-level internal Revenue Protection (RP) Committee in 2020 to undertake a holistic review of the Corporation's system losses and to recommend mitigating measures. The committee will comprise of members from various Departments and will have clear terms of reference.

In 2019, the losses were estimated at 14%, compared to 15% in 2018.

Transmission and Distribution Department

Continued

Technical Services

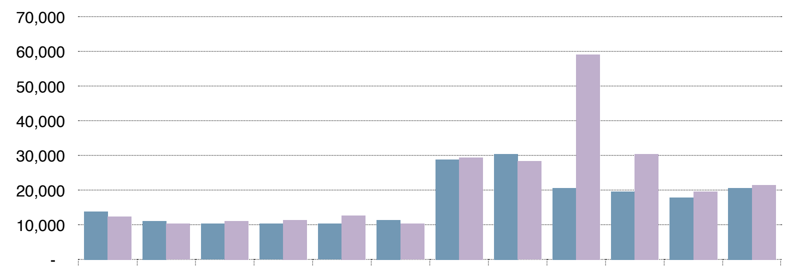
Technical Services, mandate is to ensure safe, optimal utilisation and availability of Transmission and Distribution Network Infrastructure through cost effective maintenance of the Supervisory Control and Data Acquisition system (SCADA), Geographic Information System (GIS), Metering and Telecommunications systems.

The section plans to upgrade SCADA in 2020 to control and monitor distribution network remotely to resolve faults timeously.

Call Centre

It manages and directs BPC Contact Centre operations. It encompasses receiving and resolving customer queries. The Call Centre noted an increase in calls received in 2019 compared to 2018. This was due to increase in contact centre staff and the introduction of toll-free service to customers using be mobile cell phone lines and Botswana Telecommunication Corporation land lines.

Interactions Offered By Month (2 Years)



	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Offered 2018	12,866	11,528	10,591	10,988	10,024	11,181	28,989	30,054	21,176	19,564	16,919	20,177
Offered 2019	12,214	11,268	11,793	11,013	13,935	10,547	29,480	26,698	58,402	32,018	19,498	22,090

To further improve accessibility, the Corporation intends to undertake the following initiatives in the coming year:

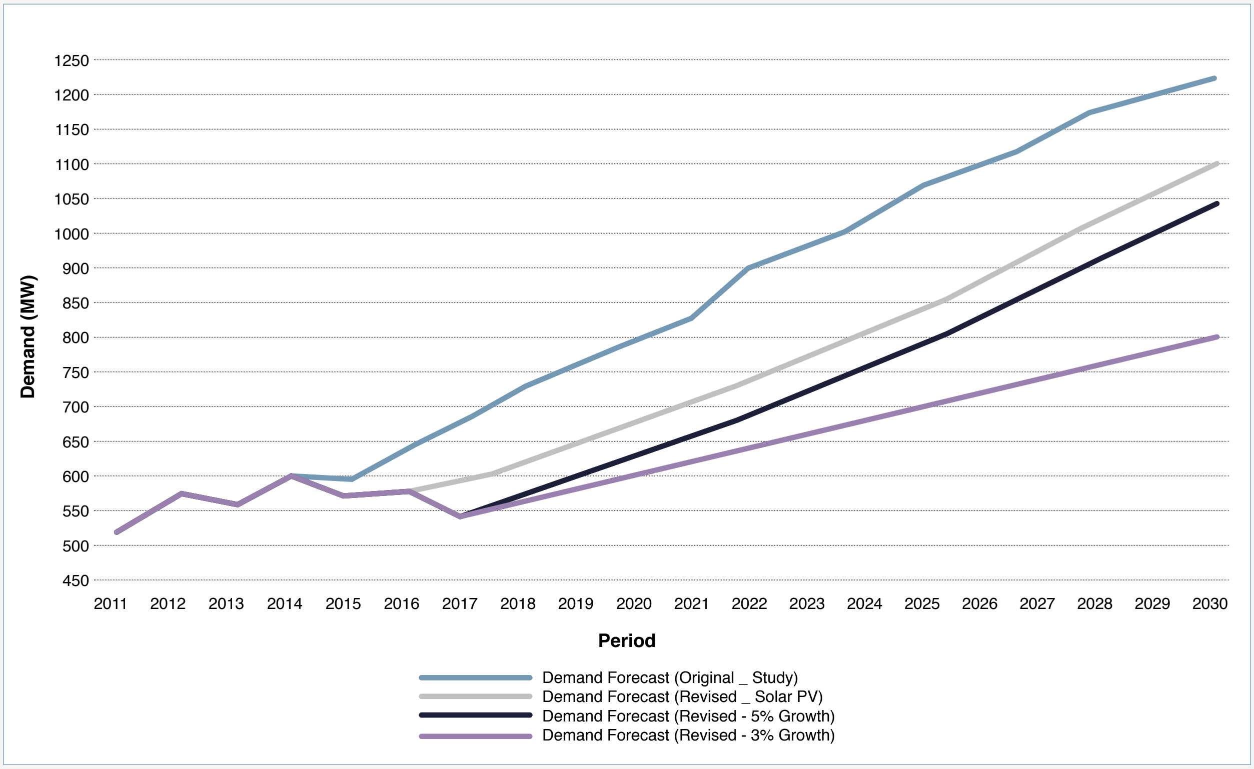
Initiative	Description	Due Date
Toll-free Service – Mascom and Orange	To improve customer experience for customers calling the Contact Centre	**Jan 2020**
Integrated Contact Centre Management System	To provide a more interactive platform where customers are serviced across multiple and integrated digital channels.	**April 2020**
Field Service Management System	To provide seamless feedback to customers on progress of reports and services requested from BPC for best customer experience.	**April 2020**
Revamp of the Contact Centre Premises	Provide a conducive environment for Contact Centre staff.	**April 2020**
Customer Service Charter	Commit our service delivery turnaround times to our customers.	**May 2020**
Additional Channels	Introducing USSD and BPC Application (App) to reduce wait time for assistance.	**Jan 2020**

Transmission and Distribution Department
Continued

Network Planning and Development

The role of this section is to plan and implement network developments. It is also responsible for implementing Government funded transmission and distribution projects. It forecasts electricity demand outlook which is instrumental in determining both transmission and distribution network requirements.

Demand Forecast (2018 - 2030)



The Corporation will be conducting a detailed Electricity Demand Forecast Study in the year 2020 to inform long-term power infrastructure (generation, transmission and distribution) investment requirements.

During the year, the section was engaged in the following critical activities and projects:

- The Corporation's Rural Electrification Programme embarked on the electrification of 115 villages country-wide. In the year 2019, the Government provided P287 million for the project. Of these, 43 were new villages which were not covered by the current network while 72 were network extension projects in villages already electrified. The project is expected to be completed by end of year 2020. The electrification of the 115 villages will increase the country's electrification level in terms of access to electricity from 81.7% to 89.0%. The approved Government budget for the year 2020 is P160 million.

- Implementation of the Government funded North West Transmission Grid project. The total funds received for this project were P1.306 billion against the approved budget of P2.357 billion. P734.529 million was spent during the year. The balance of P1.050 billion will be released to the Corporation over the next two years. For the coming year financial year, P740.00 million has been budgeted for under the Government Development budget and P310.00 million will be released in the year 2021.

Finance Department

The Finance Department provides financial services as well as sound financial control environment.

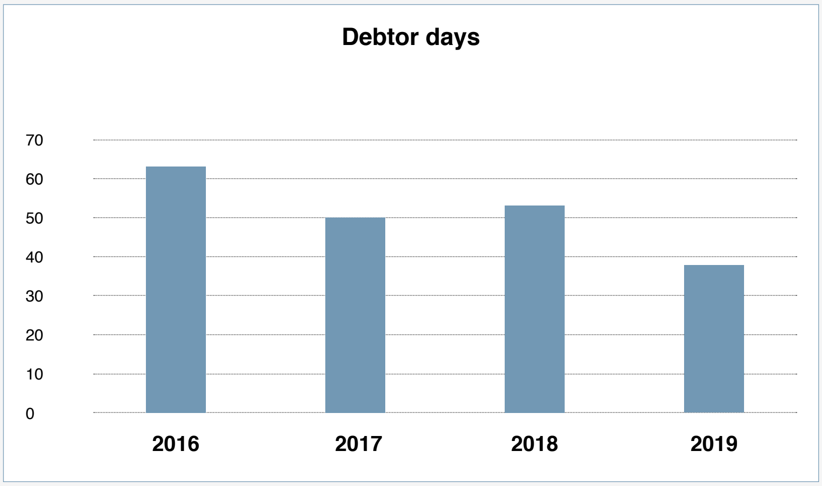
The Department is divided into the following seven (7) sections:

- **Revenue Management and Credit Control**
- **Financial Accounting and Treasury**
- **Financial Planning and Control**
- **Accounts Payables and Taxes**
- **Projects**
- **Information and Communication Technology Services**
- **Supply Chain Management**

Revenue Management and Credit Control

This section optimises revenue collection, manages and maintains customer accounts. In managing revenue, the section also undertakes revenue protection initiatives. In 2019, the revenue increase of 12% was underpinned by 10% tariff increase and 2% growth in energy consumption by customers. The customer base is categorised into Domestic, Mining, Commercial and Government.

The Masa 2020 strategy aims to improve the liquidity of the Corporation to fund the increase in assets and to meet financial obligations as they fall due. In that regard, effective measures were put in place which included dedication of credit control resources to customers with similar risk profiles. Financial loss from defaults were limited by obtaining enough collateral, continuously monitoring the debtors and doing disconnections in cases where the credit risk is assessed to be high on defaulting customers.



Through the identified initiatives the target is to reduce the debtor days from 38 to 35 days in 2020.

Financial Accounting and Treasury

This section deals with the financial reporting for the Corporation in accordance with the International Financial Reporting Standards (IFRS). It is also responsible for the production of Annual Report. In addition, this section oversees cashflow management, mitigation of financial risks, asset and liability management. Owing to the significant transactions denominated in foreign currencies, there is high exposure of exchange rate fluctuations. These risks are periodically assessed, and appropriate mitigating measures put in place.

One of the major risks facing Botswana Power Corporation is the inability to access alternative source of funding. To mitigate this risk, the Masa Strategy recognised acquiring a credit rating as a possible way of making the Corporation attractive to corporate lenders. The rating is to be obtained in the coming year.

Financial Planning and Control

It provides the business with financial planning services, financial control functions and coordinates the budgeting process. This section also provides financial analysis to the Executive Management for effective and timely decision making.

The Corporation's budgeting process is premised on a highly interactive Zero-Based Budgeting process. The Operating Expenditure budget as well as the Capital Expenditure Budget are originated by the line Departments, who are vested with the responsibility to initiate activities for the planned period. This section is accorded the responsibility for consolidation and moderation of the budgets.

Ultimately, the Chief Executive Officer and the Executive Committee ensure that the budget is reflective of the Corporation's strategy and is also within the capability of the Corporation to resource it. Once assured that the budget is reflective of the priorities for the year and is reflective of the ambitious targets to be achieved during the year; it is submitted to the Board Finance and Investment Committee for further examination and recommendation to the Board for approval. Upon approval by the Board, budget implementation guidelines are issued to all Departments.

Accounts Payables and Taxes

This section runs the Corporation's centralised payment system to meet all the financial obligations. The section also is responsible for tax compliance and advisory role. The Department started the first phase of the implementation of the Host-to-Host function that interfaces the payment module with the banking platform. This function will reduce manual intervention in payment transactions and hence reducing the risk of fraud.

Projects

The Corporation is engaged in several flagship Generation and Transmission capital projects funded by the Government. The projects team negotiates with contractors, manages the financing aspect and reporting to all stakeholders. This section also provides financial advisory and support services to all the technical teams that implement these projects.

Another function is project management of Consumer Financed Projects and processing of the claims for electricity connection shortfall under the National Electrification Standard Cost (NESC) scheme. The amount claimable by the Corporation from the National Electrification Fund (NEF) is the difference between the standard charge of P5,000.00 borne by the customer and the actual cost incurred by the Corporation in connecting the customers. This Fund was established from P0.05 (5 thebe) levied to customers for every kWh billed. In turn, the Corporation collects the levy and credits it to the NEF.

FINANCIAL YEAR	NUMBER OF NESC BENEFICIARIES
2015	13,488
2016	21,941
2017	24,570
2018	19,554
2019	11,759

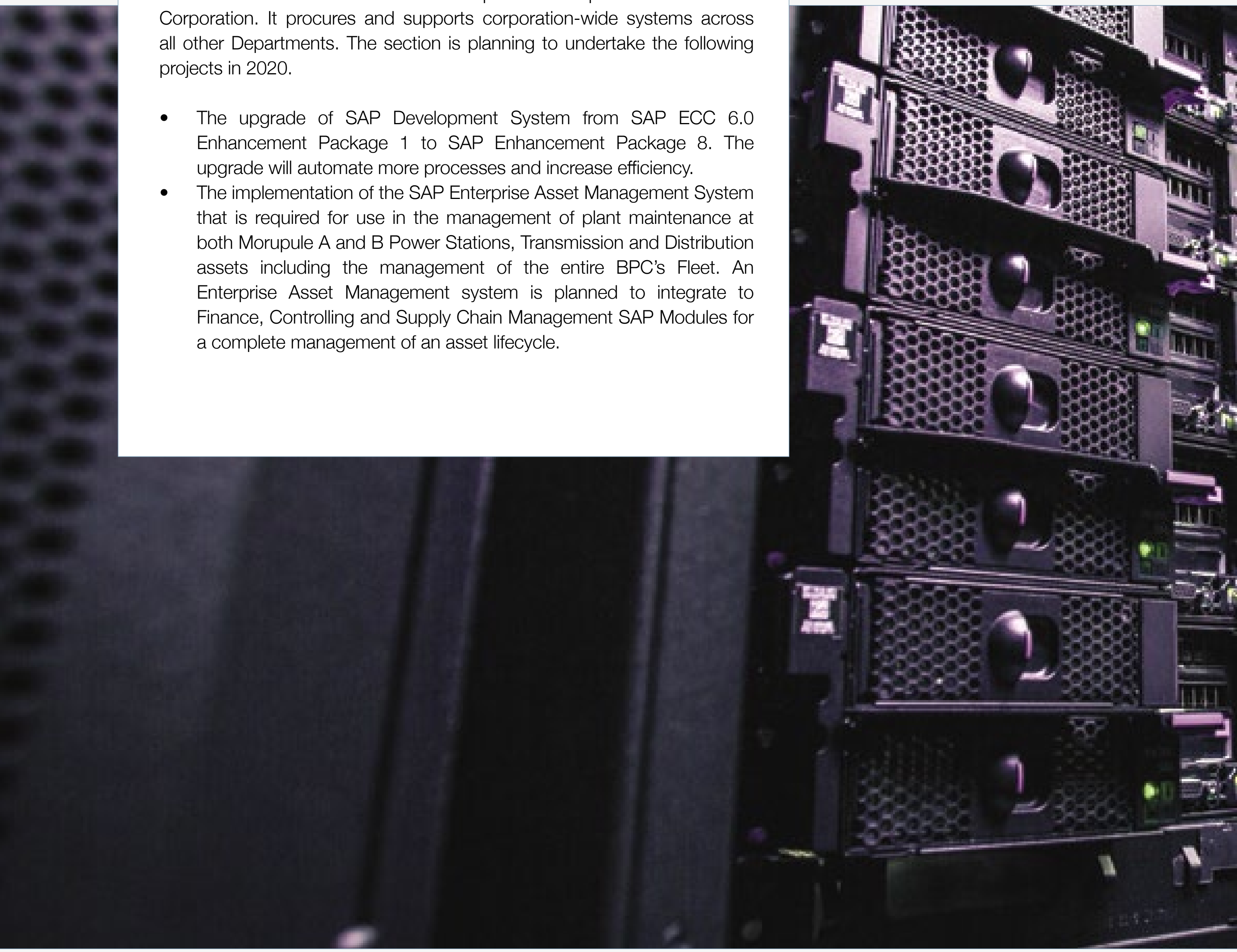
Finance Department

Continued

Information and Communication Technology Services (ICTS)

This section offers ICT services to optimise the performance of the Corporation. It procures and supports corporation-wide systems across all other Departments. The section is planning to undertake the following projects in 2020.

- The upgrade of SAP Development System from SAP ECC 6.0 Enhancement Package 1 to SAP Enhancement Package 8. The upgrade will automate more processes and increase efficiency.
- The implementation of the SAP Enterprise Asset Management System that is required for use in the management of plant maintenance at both Morupule A and B Power Stations, Transmission and Distribution assets including the management of the entire BPC's Fleet. An Enterprise Asset Management system is planned to integrate to Finance, Controlling and Supply Chain Management SAP Modules for a complete management of an asset lifecycle.



Supply Chain Management

The Supply Chain Management section is tasked with the acquisition of goods and services. It guides activities right from procurement of materials and finished goods to ensuring delivery at the right time to reach the end-consumer.

The implementation of the revised tender regulations is planned for the coming year. The rationale for the revision of the tender regulations are:

- Alignment with the currently applicable legislation and prescripts including Botswana Power Corporation's Act, Botswana Energy Regulatory Authority Act and Public Procurement and Asset Disposal Board Act.
- Alignment with the BPC transformation strategy, Masa 2020, and revised organisational structure.
- Alignment to Government policy initiatives as may be pronounced from time-to-time such as the Reservation and Price Preference for Citizen owned companies as well as for locally produced goods and services.
- To improve operational efficiencies, accountability and enhance the procurement processes of the Corporation.

Human Resources Department

The Human Resources Department (HR) provides overall policy direction on human resource management issues and administrative support functions related to the employees of all Departments. It is a strategic business partner that provides programmes that attract, develop and retain a skilled and diverse workforce.

The Department is made up of the following sections:

- **Learning and Development:** This section's mandate is to improve, plan, direct, coordinate and oversee training programmes for staff. The aim is to enhance knowledge and skills within the Corporation.
- **Organisational Development:** This section is tasked with the enhancement of individual and organisational performance. The section takes a lead role in the design and delivery of people and organisational development strategies and interventions. This is meant to augment performance excellence in the Corporation as it undergoes structural and cultural change.
- **Industrial and Employee Relations:** This section's role is to develop and foster a fair, respectful and diverse environment that enables employees to contribute their best. It also develops, delivers and maintains a business focused employee/industrial relations strategy that meets the needs of the Corporation.
- **Human Resources Services:** This section deals with managing the hiring, retention, and performances of employees. It is also tasked with mitigating employee related risks and ensuring legal compliance.

Staff Rationalisation

The Masa 2020 strategy envisaged a large scale restructuring of the organisation in order to improve its effectiveness and efficiency in service delivery. This exercise resulted in the need to exit some of the existing staff and bring in new talent. The Corporation is nearing completion of its retrenchment and reorganisational exercise in which a total of 630 employees left the organisation through voluntary and involuntary separation processes.

Staffing

To achieve the implementation of the Masa 2020 transformation strategy and high performing Culture, Human Resources continued to recruit and retain skilled and competent employees. As at 31st March 2019 The overall recruitment into the new structure stood at 72%. The objective is to maintain a low turnover rate through the enactment of a forceful employee engagement strategy to achieve goals of Masa 2020.

Tabular representation of the Corporation's head count as at 31 March 2019.

DEPARTMENT	HEADCOUNT
CEO OFFICE	3
COO OFFICE	1
CORPORATE COUNSEL	4
FINANCE	183
HUMAN RESOURCES	39
INTERNAL AUDIT	8
KNOWLEDGE MANAGEMENT	8
MARKETING AND COMMUNICATIONS	7
GENERATION	569
SECURITY OPERATIONS	3
SERVICE DELIVERY	31
SAFETY HEALTH ENVIRONMENT AND RISK	26
STRATEGY AND TRANSFORMATION	9
SUPPLY CHAIN MANAGEMENT	38
TRANSMISSION AND DISTRIBUTION	738
GRAND TOTAL	1,667

Collaboration and Strategic Partnerships

The Corporation has entered into a collaboration with the University of Botswana with the primary objective of orientating the University's curriculum and research activities towards the needs of the energy industry. The initiative will significantly contribute towards developing the required skills needed by the industry.

Development and Careers

The Corporation continues to recruit graduate trainees in various disciplines and develops them to the required standards. Upon successful completion of their training, the graduates are considered for substantive positions within the organisation depending on the availability of suitable positions.

The Corporation had a total of 86 graduate trainees at various stages of the training programme. A total of 57 were placed into substantive positions across the business while 25 continued with their training.

The Corporation also supports the Government's initiative of providing on-the-job training opportunities for fresh graduates who are absorbed into the organisation as Interns and offered professional mentoring.

To date, there are 56 interns working throughout the Corporation. In the coming year, the Department plans to:

- Continue to improve skills and competencies of employees and enhance service delivery to attain the envisaged high-performance culture. This approach is fundamental to ensure that after reorganisation and renewal of the Corporation, employees are aligned seamlessly to the Corporation's new aspirations of the Masa 2020 strategy.

> **As at 31st March 2019, the overall recruitment into the new structure stood at 72%**

Strategy & Transformation Department

The mandate of the Strategy & Transformation Department is to facilitate the achievement of the Corporation's strategic objectives and to drive the transformation agenda.

The Department coordinates the development and approval of the corporate strategy by Executive Management and the BPC Board of Directors. It is the custodian of the annual corporate scorecards, which assist in monitoring the delivery of strategic initiatives and the realisation of intended benefits.

The Department supports continuous improvement across the Corporation by implementing process re-engineering to enhance resource efficiency and process effectiveness. In this regard, the Strategy and Transformation Department has a Lean Six Sigma section which serves as a centre of excellence for capacitating and supporting other Departments to undertake incremental improvements through Lean methodologies, tools and techniques. In this manner, the Department supports the propagation of a Lean culture, which contributes to catalysing the transformation of the corporation towards a high-performance culture.

The Strategy & Transformation Department has a Change Management section, which supports all stakeholders in adopting and embedding changes on strategic initiatives. The Department provides support in strategy implementation by ensuring that all stakeholders are well acquainted with, and committed to the strategic priorities, and are contributing to their achievement.

During the year, the Strategy & Transformation Department piloted Instant Quotation project, which showed that turnaround time for providing quotations to customers could be improved from 32 days to 1 hour in some areas. The process flow involves the use of Geographic Information Systems (GIS) to determine connection charges based on the geographical location of the customers.

In the coming year, the Department plans to:

- Expand the Instant Quotation project to other areas in the country.
- Pilot and implement the decentralised process of simple connections which was previously centralized under the Projects Office. Each work center will implement simple connections for its area. This will make work centers more responsive to the customer needs. Pilot projects will be done in June 2019.

Marketing & Communication Department

The Marketing & Communication Department plays a key contributory role to serve as a link between the Corporation's stakeholders and the Corporation.

The Department's main role is to coordinate marketing and communication activities between the Corporation and customers (internal and external).

The Department leads marketing and communications activities that enhance awareness, strengthen our brand, build support and increase engagement with many diverse audiences.

The communications aspect of the Department has a key role in managing how investors, employees and the public perceive BPC brand.

During the year, the Department was engaged in various Corporate Social Responsibility activities. This included the following:

- Partnership with Botswana Retired Nurses Association to organise Annual Elderly Wellness Day in Palapye.

- BPC and Tsela Riders Cycling Club held their Annual Otse Kanye Cycle Challenge. Whilst the major objective of this event is to encourage growth in cycling in Botswana, proceeds from this event were donated to Boiketlo Community Junior Secondary School in Ntlhantlhe.

In 2020, the Department is to set up a trust for the Corporation in the form of Botswana Power Corporation Foundation. This entity will take over all corporate social responsibilities of the Corporation with a view of ultimately projecting the Corporation as a premier corporate citizen. The Corporation will also continue to grow its brand equity through communication and engagement with external stakeholders.

Safety, Health, Environment & Risk Department

The Corporation has an obligation to create a safe working environment for its employees and other relevant stakeholders. Furthermore, the safe guarding of the biophysical environment in which it operates is of paramount importance.

The Corporation seeks to achieve a safe working environment through its Safety, Health, Environment and Risk Department (SHER).

The objectives of the SHER Department are as follows:

- Ensure that all employees, contractors and visitors are sensitised on the potential risks arising from BPC's activities and operations to prevent accidents and incidents which may have a detrimental impact on major stakeholders.
- Inculcate a culture of risk awareness and a systematic approach to maintain safe systems at work.
- Implement an integrated management system for environmental and occupational safety, health and fire protection throughout the Corporation.
- Ensure a uniform SHER management system and conformance with minimum legislative provisions and best practice.
- Clearly define SHER structures through the SHER performance standards to ensure accountability across board.
- Ensure consistency within BPC in the management of SHER performance.
- Entrench an Enterprise Risk Management (ERM) Culture throughout the organisation
- Identify, assess, report and monitor all Corporate Risks.
- Insurance Cover and Claims Management.

The SHER Department plays a critical role in corporate governance within the Corporation particularly because best practice principles require that the governance structures be appraised of the risk management within the organisation. The Department maintains the Corporation's risk register and coordinates the Corporation's risk identification and risk mitigation strategies. The Department therefore also reports to the Board Audit and Risk Committee (BARC).

During the year, the Department was engaged in the following key activities to enhance safety standards:

- Implemented a risk management structure which consolidated all the risk functions within the Corporation.
- Engagements with contractors on Safety Management matters
- Conducted both internal and public awareness campaigns on electrical safety.
- BPC also joined the international community in celebrating the annual Earth Hour event, during which we realised a saving of 11 Mega Watt per hour at national level.
- In a bid to further improve the BPC environmental programme, a waste recycling project was initiated throughout the Corporation. A waste segregation project was introduced in several BPC offices. New efforts were further made to recycle other waste streams such as used oil from various equipment. A total of 17 590 litres of used oil was collected from BPC premises by local recycling companies and 759 tons of scrap metal was also collected for recycling.

In the coming year, the Department plans to do the following:

- Ensure that SHER requirements are incorporated in all tenders through the Supply Chain Department. All Invitation to tender's (ITT) to have SHER requirements.
- Enhance and embed a culture of safety in the workplace through the Visible Felt Leadership Safety Audits by BPC Executive Leadership.
- Ensure that there are SHER tasks for all managers, so that they become part of their performance contracts thus ensuring more management accountability and responsibility.
- Robust Contractor Management and Compliance Reviews and Enhanced Electrical and Mechanical Rules Compliance Audits
- Enforcement of Competent Person Training to ensure that throughout the corporation high risk tasks are implemented by competent personnel.
- Jointly work with Marketing & Communications Department to develop stakeholder engagement plan to reduce public related injuries.
- Conduct occupational hygiene survey and action plans to proactively identify and mitigate against occupational related diseases.
- Conduct Public awareness on electrical safety. Such awareness covers various stakeholders including schools.
- Expand Biodiversity Action Plan implementation through initiatives such as waste segregation at source, waste recycling and vegetation management along transmission and distribution lines.
- Conduct Contractor Safety Management campaigns to ensure that the rate of workplace injuries is minimised.

Internal Audit Department

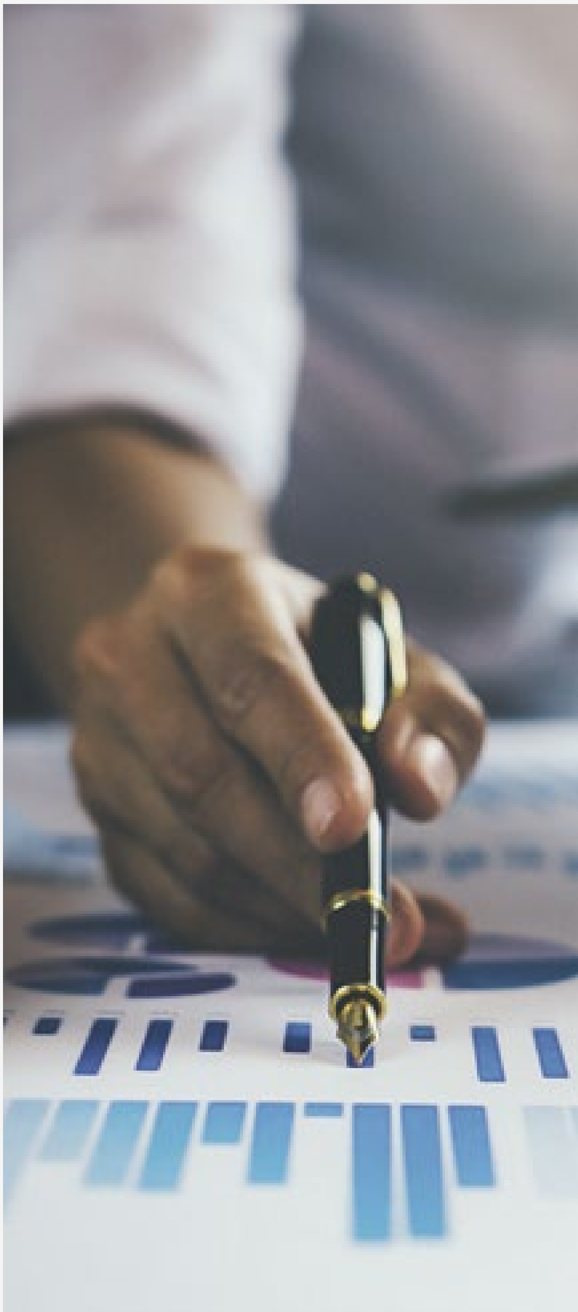
The Corporation has an independent Internal Audit function which administratively reports directly to the Chief Executive Officer and functionally to the Board Audit and Risk Committee (BARC). To be effective, the Internal Audit Department dual report structure is deliberate to deliver independent objective assurance. The Internal Audit function provides assurance that the governance framework, enterprise risk management framework, and compliance framework are adequate and effective to support achievement of corporate objectives.

The Department derives its mandate from a Board approved Internal Audit Charter which gives full unfettered mandate to carry out assurance, consultancy and special assignments.

The scope of the Internal Audit function is broad and includes systems of internal control that are in place to achieve:

- Safeguarding of assets;
- Compliance with legislation, regulations, policies and procedures;
- Effectiveness and efficiency of Internal Control framework;
- Objective assurance on the adequacy and effectiveness of enterprise risk management; and
- Reliability and integrity of financial and operational information

The Internal Audit Department uses a dynamic risk-based audit methodology in developing the Internal Audit annual plan. This methodology recognises the dynamic nature of the risk the Corporation's risk profile and responds accordingly during the financial year. This adopted methodology ensures assurance plan implementation is influenced by risk assurance demand. The scope of the Internal Audit extends to all property, personnel and activities of the Corporation. Due to the nature of Internal Audit, the Department maintains and adheres to very strict standards of confidentiality, professionalism and ethical conduct. The Department is manned by a multidisciplinary Team with vast experience and qualified staff who comply with very high standards.



A dedicated exercise to promote whistleblower activism was achieved with good awareness outcomes across the Corporation centers targeting all employees. Significant improvement in ethical awareness led to improved utilisation of both the ethics line and reporting outside chain of Command.

The Department undertook the following key activities:

- The Department managed to promote whistleblower activism by undertaking a corporate wide training on good ethical conduct, and how to report unacceptable practices. This training covered all BPC staff and contractors. The outcomes are significant in the improved level of awareness and reporting activity through the ethics hotline and use of other channels.
- A significant number of special assignments were done as a result of the whistleblower training outcomes. All the reports were fully investigated and closed successfully. A comprehensive enterprise-wide risk assessment was carried by the Department to focus the annual assurance plan to relevant assurance demand. The Department was able to follow-up and accomplish a 100% validation of the management letter action plans.
- Control Self-assessment activities were initiated during the period to inculcate a culture of control self-assurance. This was supported by Internal Audit 100% validation of the self-audit results. All Internal Audit recommendations were followed up and validation were executed as part of planned follow up assurance projects.

In 2020, the Department will further continue to implement the dynamic risk-based audit methodology in audit planning in order to optimise audit resources and advice on measures to address high risk areas.

Operations Department

The Operations Department supports the Corporation's operations and is made up of the following sections:

- **Security;**
- **Service Delivery; and**
- **Knowledge Management.**

Security Section

The section is mandated with the protection of Corporation's assets. The responsibilities include screening of employees, controlling access and egress in the Corporation premises, surveillance monitoring, security risk management and as investigations of non-compliances. Some of the activities are outsourced to private security companies.

The aim is to manage security risks within the Corporation to curb losses and to provide a secure environment for employees and visitors.

During the year, the section established a forum comprising of external law enforcement agencies and other partners with critical infrastructure to devise strategies to counter adversaries in the theft and vandalism of critical assets.

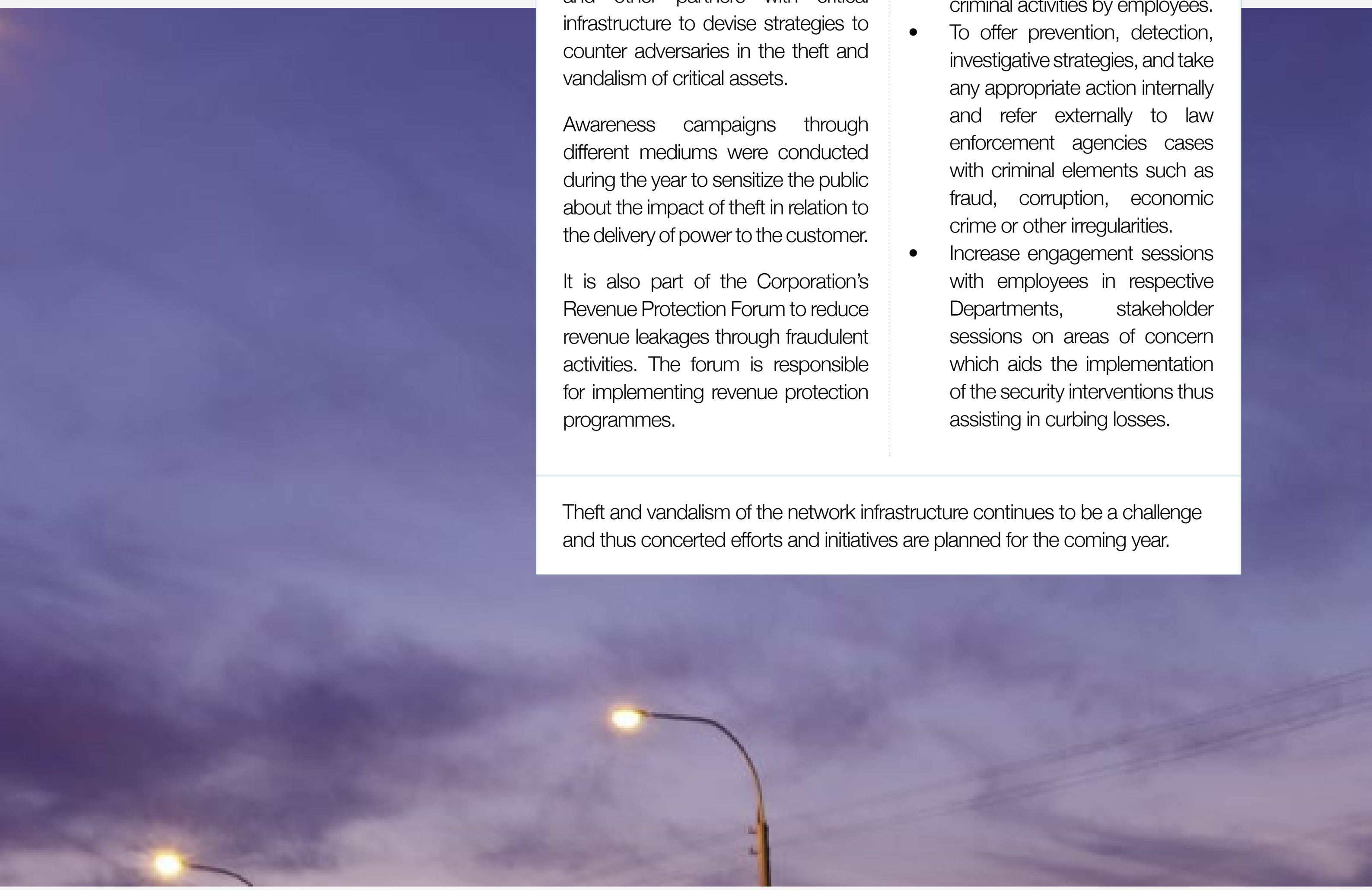
Awareness campaigns through different mediums were conducted during the year to sensitize the public about the impact of theft in relation to the delivery of power to the customer.

It is also part of the Corporation's Revenue Protection Forum to reduce revenue leakages through fraudulent activities. The forum is responsible for implementing revenue protection programmes.

The section's commitment is to:

- Promote a culture of accountability, ethics and integrity to facilitate the disclosure of information relating to irregular conduct in the workplace and involvement in criminal activities by employees.
- To offer prevention, detection, investigative strategies, and take any appropriate action internally and refer externally to law enforcement agencies cases with criminal elements such as fraud, corruption, economic crime or other irregularities.
- Increase engagement sessions with employees in respective Departments, stakeholder sessions on areas of concern which aids the implementation of the security interventions thus assisting in curbing losses.

Theft and vandalism of the network infrastructure continues to be a challenge and thus concerted efforts and initiatives are planned for the coming year.



Operations Department
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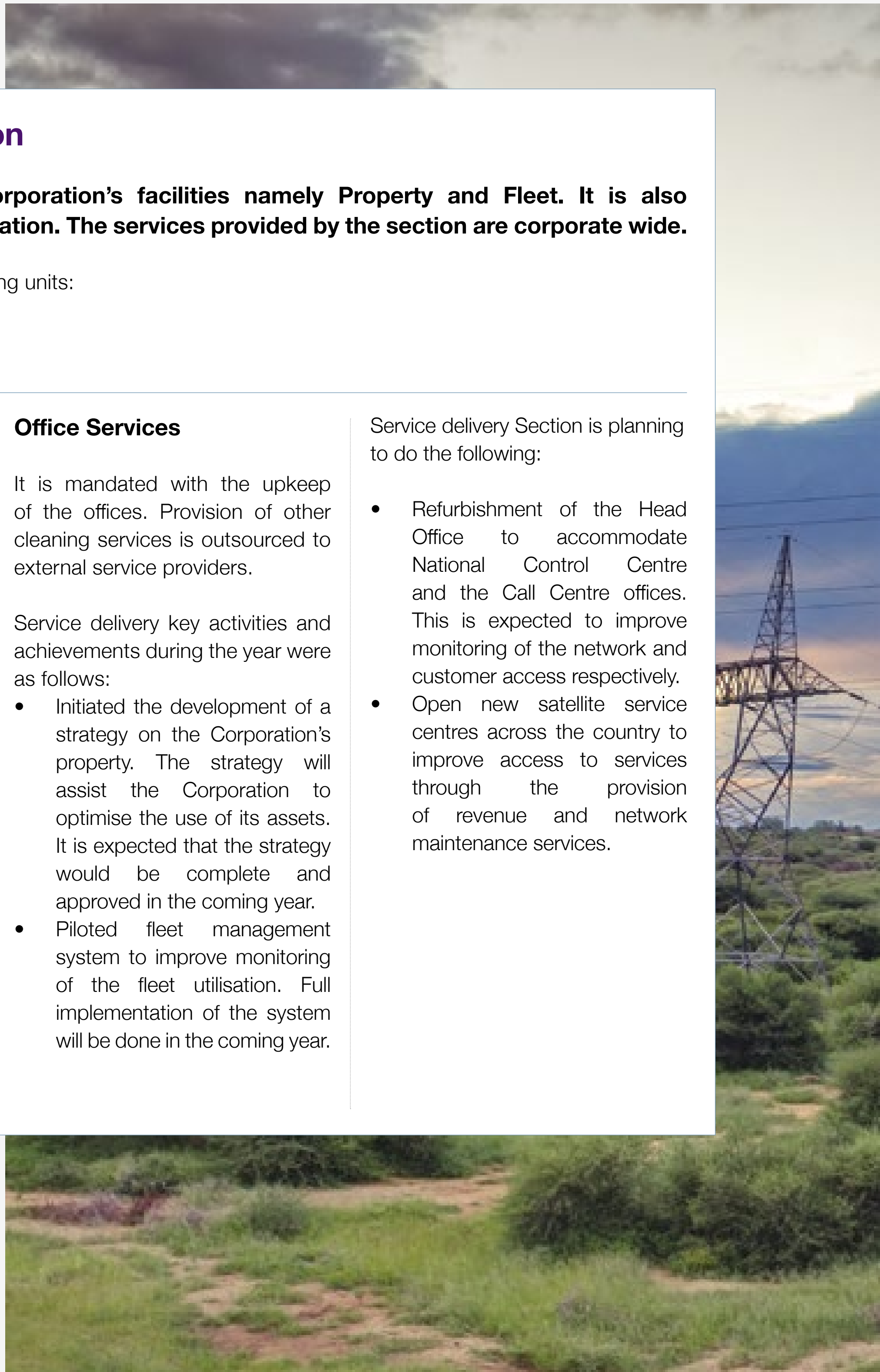


Service Delivery Section

The section oversees the Corporation's facilities namely Property and Fleet. It is also responsible for office administration. The services provided by the section are corporate wide.

The Section is made up of the following units:
- Fleet Services;
- Property Services; and
- Office Services.

Fleet Services

It is responsible for a total fleet portfolio of 629 vehicles across all BPC centres in the country. The portfolio comprises fully owned fleet ranging from Sedans, pick-ups, light trucks, buses, heavy duty trucks and mobile plant equipment. The responsibilities include acquisition, maintenance and management of fleet to ensure that the Corporation delivers on its mandate.

Property Services

The unit is charged with the overall property acquisition, maintenance and management. The portfolio comprises of owned and rented staff residences and commercial properties.

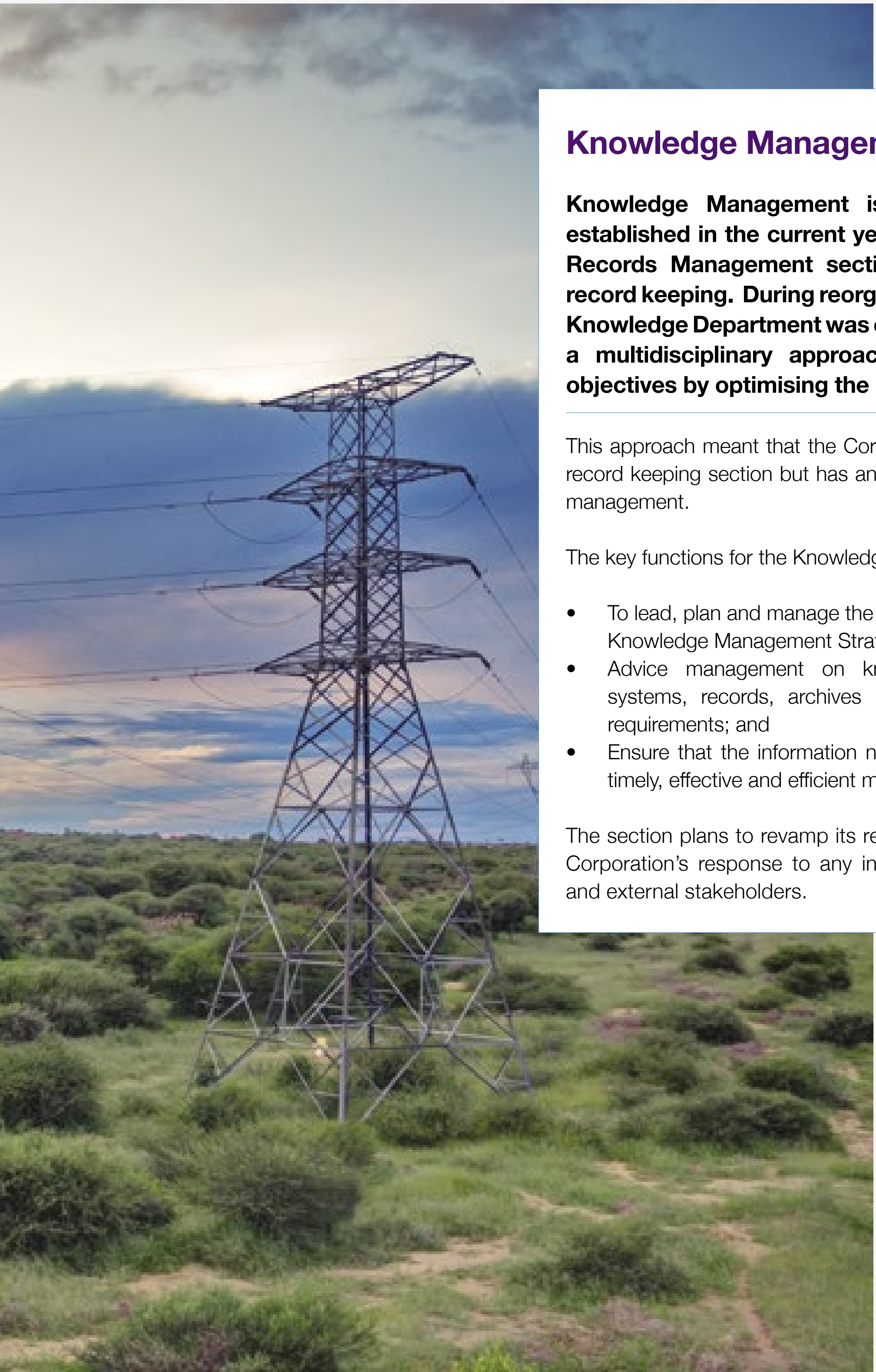
Office Services

It is mandated with the upkeep of the offices. Provision of other cleaning services is outsourced to external service providers.

Service delivery key activities and achievements during the year were as follows:
- Initiated the development of a strategy on the Corporation's property. The strategy will assist the Corporation to optimise the use of its assets. It is expected that the strategy would be complete and approved in the coming year.
- Piloted fleet management system to improve monitoring of the fleet utilisation. Full implementation of the system will be done in the coming year.

Service delivery Section is planning to do the following:

- Refurbishment of the Head Office to accommodate National Control Centre and the Call Centre offices. This is expected to improve monitoring of the network and customer access respectively.
- Open new satellite service centres across the country to improve access to services through the provision of revenue and network maintenance services.



Knowledge Management Section

Knowledge Management is a new section which was established in the current year. Initially, the Corporation had Records Management section which was only limited to record keeping. During reorganisation of the Corporation, the Knowledge Department was established with a view of having a multidisciplinary approach to achieving organisational objectives by optimising the use of knowledge.

This approach meant that the Corporation is not limited to just having a record keeping section but has an overarching framework to knowledge management.

The key functions for the Knowledge Management section are:

- To lead, plan and manage the implementation of the Corporation's Knowledge Management Strategy;
- Advice management on knowledge management, information systems, records, archives management policies and legislative requirements; and
- Ensure that the information needs of the Corporation are met in a timely, effective and efficient manner across the Corporation.

The section plans to revamp its records system which will enhance the Corporation's response to any information request from both internal and external stakeholders.

Corporate Secretariat Department

The mandate of the Corporate Secretariat Department is to manage the administrative aspect of the Board of Directors, provide legal advisory services to the Corporation, ensure adherence to prudent corporate governance and ensure regulatory compliance to Laws establishing the Corporation in Botswana.

The Department provides secretarial support to the BPC Board, Board Committees and the Executive Committee.

The Department supports the Corporation by ensuring that the interests of the Corporation are protected in all agreements and contracts with other parties. The Department further protects the rights of the Corporation as an entity by engaging legal representation in the Courts whenever required as well as providing independent legal opinion and advice.

During the year, the Department established a Regulatory Compliance Unit to manage the energy sector regulatory environment. In 2020, the Regulatory Compliance Policy will be formulated to provide a uniform practical approach to ensure compliance with all laws, regulations, industry and internal codes of conduct which may impact on the day to day activities of the Corporation. In addition, Service Level Agreements were done with private law firms to harness the expertise of the private practice in legal matters affecting the Corporation. There is a panel made up of fifteen private law firms that are allocated work as and when it comes.

The Department provides support across all areas of the business to ensure that the Corporation achieves its strategic objectives; covering the areas of contract drafting and negotiation, industrial relations, legal advice and opinion, litigation, corporate governance and regulatory compliance.

The Department plans to add more value to the Corporation in the coming year by liaising with Internal Audit Department to engage in an organisational wide compliance audit particularly in relation to legislation that is related to the Corporation's line of business. The Department intends to review the Board Charter to enhance corporate governance.

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New Villages to be electrified

BOTSWANA POWER CORPORATION

A culture of sustainability permeates all areas and aspects of the Corporation

Sustainability

Botswana Power Corporation
Annual Report 2019

Sustainability Report

Overview

The Botswana Government Vision 2036 roadmap outlines the Government's approach to address the United Nations Sustainable Development Goals (SDGs). The adoption of the SDGs is therefore paramount to BPC. It seeks to strengthen the Corporation's sustainability drive through several initiatives such as the adoption of new energy mix and efficient use of natural resources. Furthermore, the SDGs provide a platform for the organisations to embrace stakeholder expectations and build strong long-lasting relationships within the communities where we operate.

In this report, the following SDG goals are covered:

- **SDG 3 Good Health and Wellbeing;**
- **SDG 4 Quality Education;**
- **SDG 7 Affordable and Clean Energy;**
- **SDG 8 Decent Work and Economic Growth; and**
- **SDG 12 Responsible Consumption and Production**

BOTSWANA POWER CORPORATION SUPPORTS THE SUSTAINABLE DEVELOPMENT GOALS

SDG 3 – Good Health and Wellbeing

Health and Wellness

BPC subscribes to the Zero Harm value in order promote high occupational health and safety in employees and service providers. A healthy employee is a productive one. Our fully functional Wellness Section, which is within the Human Resources Department facilitates wellness programmes throughout the Corporation. The following policies related to health and wellness are currently in place:

- BPC Wellness Policy;
- Occupational Health Policy;
- HIV/AIDS Policy;
- Ill health Policy;
- Sports and Recreation Policy;
- Alcohol and Drugs Policy; and
- Medical aids Policy.

The Corporation's Occupational Health and Wellness programmes target both communicable and non-communicable diseases. A total of thirty (30) sessions ranging from burnout, healthy eating habits, self-actualisation, HIV and AIDS, non-communicable diseases and Gender Based Violence (GBV) were held during the year and over one thousand, six hundred (1 600) employees participated. In addition, the Corporation has two clinics located at the two power stations in Palapye. The facilities were used by a total of one thousand, eight hundred (1 800) employees for various curative and chronic ailments. Services for entry and exit medicals have been outsourced to local practitioners across the country, with a few being conducted at the clinics. There is also in-house periodic medical exams where already 96.4 % of our Generation Department staff were covered during the year.

Staff with emotional distress, financial, physical challenges and spiritual distress are supported internally, with some referred to private practitioners for further counselling. This year, over 155 staff members have been supported with various counselling services. Counselling received related was mainly to grief, debts, injury on duty, trauma, family disputes, occupational distress and mental depression. A total of eight financial literacy sessions were arranged and 35% of our staff attended.

To cover more ground, peer to peer support was introduced. A total of 77 peer educators were trained, representing 27 BPC outer stations out of a total of 32. They are expected to facilitate health education sessions for staff in all the sites and refer cases to Wellness Office for further support where necessary.

Commemorations - World AIDS & Cancer Day

The Corporation is proud to have joined the world in commemorating World Aids day in 2019. HIV and AIDS messages reached over one thousand four hundred (1 400) staff members. The Corporation also participated in Cancer Day and in the drive towards blood donation. A total of seven (7) litres of blood was donated to the National Blood Donation Centre.

BPC Otse - Kanye Cycle Challenge

As part of Corporate Social Responsibility programme to encourage healthy living, BPC and Tsela Riders Cycling Club held their annual Otse Kanye Cycle challenge for the year under review. The aim of this partnership is to support the growth of cycling in the country.

Sustainability Report

Continued

SDG 4 Quality Education

CORPORATE SOCIAL RESPONSIBILITY

The Corporation has over the years proven to be a responsible corporate citizen, collaborating and sponsoring different communities across the country with the intention of leaving a legacy and relieving challenges facing some of the communities in which it operates. In its corporate social investment and community outreach, the Corporation undertook the following initiatives:

Ngarange Primary School-BPC Adopted School

In its quest to implement SDG 4 (Quality Education), the Corporation continues to support t its adopted school Ngarange Primary School. The school's aim to achieve a top 10 position amongst the 16 schools in the Okavango Education Region was achieved in the 2018 Primary School Leaving Examination results. The school finished at position 4 after trailing the standings in the past year by attaining a pass rate of 61% from 48% in the previous year's examinations.

Botswana Power Corporation and First National Bank Botswana Foundation Partnership

Botswana Power Corporation's and First National Bank Botswana Foundation's (FNBB Foundation) mutual aim to assist learners across the country attracted the two organisations into a partnership to provide students in rural to remote areas with solar lamp back packs. The initiative's aim is to support primary students with basic lighting for their studies with the intention to improve their academic performance. The roll-out of the solar lamp back packs was launched at Kavimba Primary School in the Chobe District in the prior year. Leaners at this school were the first beneficiaries of this initiative. It is expected that in the coming year, other schools will be identified to benefit under this partnership.

SDG 7 – Affordable and Clean energy

Increasing access and affordability of electricity is central to our purpose of existence. Through BPC, Government supports and provides funding for the following programmes to ensure that communities have access to affordable and clean energy:

- **Rural Electrification Programme:** Funded by Government to give rural areas access to electricity. This programme plays an important role in the social and economic development of these areas.

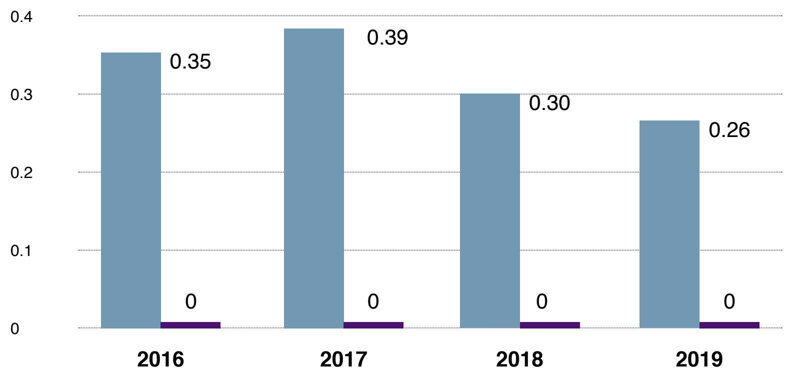
- **National Electricity Standard Cost:** This ongoing programme was introduced in 1 October 2010 whereby participants to this scheme pay a standard charge of P5,000 for a connection. The difference between this standard charge and actual cost of the connection is claimable from the National Electricity Fund by the Corporation.

- **Solar PV Development:** The Corporation has embarked on a renewable energy projects to develop a new energy mix which includes 100 MW (2x50MW) solar plant and 12 grid connected Small Scale Solar PV plants located in 12 different villages.

SDG 8 Decent Work and Economic Growth

BPC provides quality jobs to Botswana nationals and highly supports local businesses and entrepreneurs. The staff establishment is predominantly local citizens. The Corporation's head count as at end of the year was 1664 citizens and 3 expatriate employees. This represents 99.8 % of citizen employment. Furthermore, provide indirectly work for thousands of local citizens by the implementation of several projects. A total of 3,287 contractor employees were engaged in major projects that includes rural electrification and North West transmission grid projects. It is also worth to note that BPC has supported and complied with Government policies on Citizen Economic Empowerment and job creation.

Lost Time Injury Frequency Rate 2016 - 2019 per 200 000 Hours Worked



	2016	2017	2018	2019
LTIFR	0.35	0.39	0.30	0.26
Fatalities	0	0	0	0

Source: BPC 2019

SDG 12 – Responsible Consumption and Production

Safety and Environment

The Corporation prides itself in being committed to upholding and safeguarding the safety of its employees and service providers; and the protection of the biophysical environment it operates in. For the past three consecutive years, no fatality was recorded and the Lost Time Injury Frequency Rate (LTIFR) for the year 2019 was 0.26 against a target of 0.29 with respect to our employees.

It is important to note that twelve (12) occupational health related cases were identified during the year. The cases were mainly noise induced hearing losses (NIHL) at the power station. Training on hearing conservation and the provision of custom made ear plugs are being done. Furthermore, the ongoing remedial works will address the high noise levels in the plant. On the environmental issues, environmental protection initiatives were introduced like waste segregation at source, waste recycling, soil remediation and vegetation management along transmission and distribution lines. The Corporation has also ventured on the need to ensure its valuable assets – its employees and property are adequately insured against eventualities.

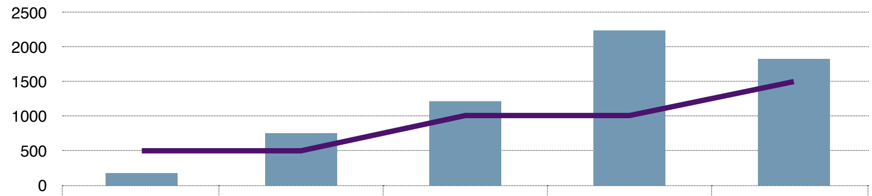
Our milestone achievements in the safety and health area is mainly attributed to continuous stakeholder engagement and participation in the implementation of the Corporation SHER policy. The increased weekly SHE toolbox talks by employees in their respective Departments, monthly Inter Departmental SHE Committee meetings as well the top management support enhance the maturity level of the SHE management system.

Sustainability Report
Continued

Safety Leading Indicators Trends (Behavioral Change)

In cultivating a long lasting positive SHE culture, employees and service providers are encouraged to report safety leading indicators in order to proactively prevent work place injuries that could emanate from unsafe acts, conditions and near misses. The reporting of safety leading indicators during the year is above target by 18%. In the coming year, BPC intends to re-energise the campaign towards the reporting of safety leading indicators and sustain the programme.

Reporting of Leading Indicators Trends



	2014/15	2015/16	2016/17	2017/18	2018/19
Leading Indicators	119	638	1209	2299	1773
Target	500	500	1000	1000	1500

Public safety

The risk of illegal connections, vandalism and tempering with live electrical infrastructure on the distribution network infrastructure remained a great concern during the year. We recorded two (2) uncontrollable and two (2) controllable public fatalities - which regrettably culminated to a total of four public (4) fatalities.

- The Public Fatalities/Incidents: Controllable KPI refers to the number of public fatalities due to electricity related incidents where BPC is highly likely to be liable.

- Public Fatalities/Incidents: Non-controllable KPI refers to the number of public fatalities that were due to electrocution as a result of varying factors to which BPC had no control over. Such encompassed attempted theft of copper cables, illegal vandalism of infrastructure.

The following activities are continuously conducted to reach out to stakeholders;

- Public awareness on electrical safety. Such awareness covers various stakeholders including schools.

- Contractor safety management remains a high priority for BPC, due to the significant role that they play across the corporation.

- BPC conduct joint operations with the police to curb illegal connections and this is done throughout the country.

- Contractor inductions are also done to ensure that the rate of workplace injuries is minimised.

Environment

One of the major environmental programmes is the development of a vegetation management Action Plan; which was purely meant to address vegetation management along the Transmission and Distribution line across the country. A consultant was engaged to work with our environmental section in developing the plan as well as to train the tree cutting crews in all BPC offices in the country. To this end, 53 electricians, craftsmen and engineers have been trained on the effective and efficient tree management techniques which also included safety aspects.

Other initiatives implemented during the year to curb climate change included tree planting at Maun, Lerala and Ghanzi district.

A total of 200 indigenous and fruit plants were planted at the above indicated areas. The general public and various institutions like schools, clinics and Department of Forestry and Range resources participated in the events.

Waste Management

To further improve the BPC's environmentally friendly programmes, recycling of waste was initiated throughout the Corporation. To that effect, a Waste Segregation project was introduced in several BPC offices. Further efforts were also made to participate in the recycling of other waste streams such as lubricant used oil from the plant. A total of 17 590 litres of used oil was collected from BPC premises by local recycling companies and 759 tons of scrap metal was also collected for recycling.

A joint stakeholder project initiative on the disposal of Poly Chlorinated Biphenyls (PCBs) is being finalised. Transformers and other electrical equipment have been tested to determine the level of PCBs. PCBs are toxic, persistent organic pollutants. Regional and International organisations have joined hands by becoming signatories to the Montreal Protocol in the quest to eliminate PCBs by 2020. The equipment identified to be positive has been stored safely awaiting safe disposal.

BOTSWANA POWER CORPORATION

We strive to always ensure sound corporate governance and best practice in all that we do.

Governance

Botswana Power Corporation
Annual Report 2019

Corporate Governance

INTRODUCTION

The Corporation is committed to the highest standards of business integrity, ethical values and professionalism in all its activities. The Corporation places strong emphasis on achieving and upholding the highest principles of business ethics and corporate governance.

The Corporation recognises that adhering to sound principles of corporate governance is key to earning and maintaining the trust of its stakeholders and the achievement of its performance goals.

The BPC Board is committed to the practice of good corporate governance and subscribes to the following:

- The King III Code;
- The Botswana Power Corporation Act; and
- The International Financial Reporting Standards

BPC's approach to corporate governance ensures that:

- Appropriate business and financial risk management are carried out and disclosed;
- All stakeholders are provided with clear, concise and timely information about the Corporations operations and results; and
- The Corporation recognises its social responsibility and provides assistance and development support to the communities in which it operates.

Board Organisation and Structure

The Board recognises that it is ultimately responsible for the direction of Botswana Power Corporation through the delegation of various duties to the Chief Executive Officer and Executive Management. The Board is conscious of its obligations and accountability to the shareholder, as well as other stakeholder expectations.

In the execution of its duties the Board is guided by a Board Charter, which amongst others, clearly sets out the Board's role, duties and responsibilities. The Charter provides for Board structures, procedures and processes which assists the Board in regulating how it conducts its business.

Composition of the Board

The Minister of Mineral Resources, Green Technology and Energy Security appoints the BPC Board Members and charges the Board with the responsibility of setting the direction of the Corporation's affairs. Botswana Power Corporation has a unitary Board structure, where the Board is comprised of exclusively Non-Executive Members; the BPC Board is currently composed of five (5) Non-Executive Members and a Non-Executive Board Chairman, in accordance with the BPC Act. This Board structure ensures that the Board maintains a high level of objectivity and independence in Board deliberations and resolutions.

In addition to the five Non-Executive Members, the Board has two (2) co-opted Members who sit in the Board Human Resources Committee and the Board Procurement and Tender Committee, respectively.

Conforming to the dictates of the King III Code of Governance for South Africa 2009, which is accepted by the Corporation as a sound and robust benchmark for best corporate governance practice, the roles of

Board Chairman and the Chief Executive Officer are separate, with a clear role distinction and division of duties. The Board Members are experts in various fields including; engineering, project management, and finance. This ensures that the strategic direction provided by the Board to the Corporation is diverse, knowledgeable, vigorous and sound.

The Board is committed to development on corporate governance matters, notwithstanding that there have not been any development initiatives in the period.

The BPC Board for the year under review was constituted by the following Members:

MEMBER	POSITION	DATE OF APPOINTMENT
Mr. Bonny Thebenyane	Chairperson	1st December 2017
Mr. Bernard Kenosi	Member	15th July 2015
Dr. Obolokile Obakeng	Member	16th July 2015
Mr. Keith Thomas Blanchard	Member	1st November 2013
Mr. Vincent Kinnear	Member	1st December 2017

The following Members retired from the BPC Board during the year under review:

MEMBER	DATE OF RETIREMENT
Ms. Keineetse Lepekoane	16th July 2018
Ms. Mmametsi Setlhare	31st July 2018

Board Meetings

The Board meets at least four times annually to discuss matters relating to, amongst other things: strategy and performance, financial position, risk management, human resource matters, sustainability and governance. Members contribute to strategy formulation as well as monitoring and measuring the Corporation's performance and its Executive Management against Key Performance Indicators (KPIs).

Corporate Governance

Continued

Board Committees

The Board has, in terms of Section 12 of the BPC Act and through formal resolution, set up six Sub-Committees to assist it in the execution of its oversight role.

There are six Board Sub-Committees whose respective Terms of References detail the Committees' responsibilities and powers

1. BOARD FINANCE AND INVESTMENT COMMITTEE
2. BOARD AUDIT AND RISK COMMITTEE
3. BOARD PROCUREMENT AND TENDER COMMITTEE
4. BOARD HUMAN RESOURCES COMMITTEE
5. BOARD TECHNICAL COMMITTEE
6. BOARD TRANSFORMATION & STRATEGY COMMITTEE

Board Finance and Investment Committee
The Committee assists the Board's governance of the integrity of the Corporation's financial statements, systems and/or records. This Committee also considers and advises the Board on all finance matters such as financial strategy and objectives. In addition, it reviews the expertise, resources and experience of the Corporation's Finance function.
Ms. Keineetse Lepekoane - Chairperson
Ms. Mmametsi Setlhare - Member

Board Audit and Risk Committee
The Committee assists the Board in oversight of: • The integrity of the Corporation's financial statements, systems and and/or records; • Effective risk management and internal control systems; • The Corporation's compliance with legal and regulatory requirements; • The annual independent audit process including engagement of the external auditor and receiving all reports and Management letter from the Auditor; and • The performance of the Corporation's Internal Audit Corporate Support Unit.
Mr. Vincent Kinnear - Chairperson
Dr. Obolokile Obakeng - Member

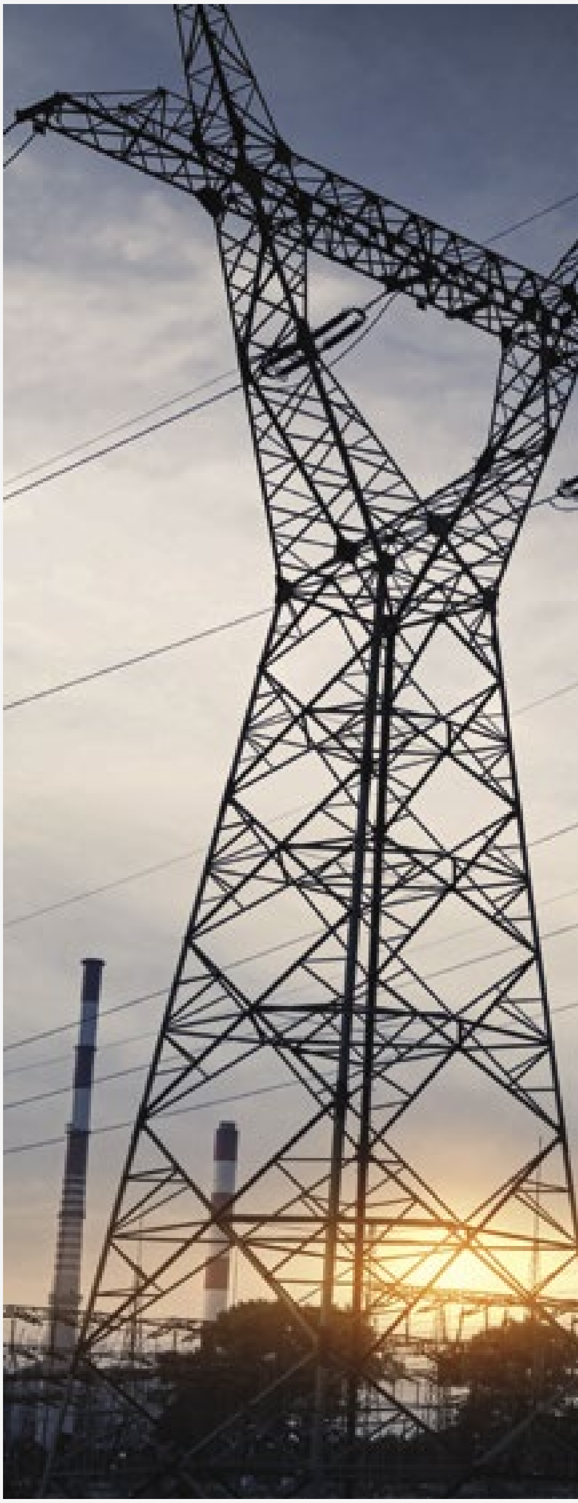
Board Procurement and Tender Committee
The Committee is responsible for adjudication and approval of tenders for the procurement of goods and services above the limits prescribed to Management by the Board. In addition, the Committee has the responsibility of monitoring compliance to the Tender Regulations and monitoring progress on implementation of approved tenders and related projects.
Mr. Bernard Kenosi - Chairperson
Mr. Keith Thomas Blanchard - Member
Mr. Duncan Pie (co-opted) - Member

Corporate Governance
Continued

Board Human Resources Committee
The Board Human Resources Committee's mandate is to assist the Board in oversight of: • The Corporation's human resources policies, strategies and plan; • The appointment of Executive Management; and • The Corporation's Performance Management System.
Mr. Bernard Kenosi - Chairperson
Mr. Vincent Kinnear - Member
Mr. Simon Meti (co-opted) - Member

Board Technical Committee
The Board Technical Committee assists the Board's oversight on the Corporation's functions of the generation, transmission, distribution and supply of electricity in Botswana including but not limited to energy projects. It also assists on reviewing contracts for the development of power infrastructure, agreements for grid connections and wheeling of electricity (transmission use of system).
Mr. Keith Thomas Blanchard - Chairperson
Mr. Bernard Kenosi - Member
Mr. Vincent Kinnear - Member
Dr. Obolokile Obakeng - Member

Board Transformation & Strategy Committee
The mandate of the Board Transformation & Strategy Committee is to oversee the transformation turnaround strategy by ensuring that business continuity is maintained through transformation and strategy. The Committee makes recommendations to the Board on matters pertaining to its mandate, duties and responsibilities to obtain the necessary approvals.
Ms. Mmametsi Setlhare - Chairperson
Mr. Bernard Kenosi - Member
Ms. Keineetse Lepekoane - Member



Board Ad-hoc Committees

The Board appoints Ad-hoc Committees as and when necessary to consider specific issues before submission to the Board for a final decision. The Board determines the terms of reference of such committees as it may find necessary.

Board of Directors' Declaration of Interest

The Board Members declare their interest at every Board and Committee meeting in relation to matters placed before them for deliberation and decision making in accordance with Section 9 of the Botswana Power Corporation Act.

Board Secretary

The Board Secretary, who is appointed in terms of the BPC Act, is responsible for providing guidance to the Chairman and Board of Directors on their duties, responsibilities and powers. The Board Secretary advises on corporate governance and statutory compliance.

Corporate Governance

Continued

Board Meetings Attendance and Sitting Allowances for April 2018 to March 2019

Member	Ordinary Board Meeting	Special Board Meeting or Assignments	Board Finance and Investment Committee	Board Audit and Risk Committee	Board Procurement and Tender Committee	Board Human Resources Committee	Board Technical Committee	Board Transformation and Strategy Committee	Sitting Allowance (BWP)
Mr. Bonny Thebenyane	4/4	4	-	-	-	-	-	-	18,000
Mr. Bernard Kenosi	4/4	15	-	-	12/12	4/4	4/4	1	81,440
Dr. Obolokile Obakeng	3/4	2	-	3/4	-	-	4/4	-	21,600
Mr. Keith Thomas Blanchard	4/4	3	-	-	10/12	-	4/4	1	41,400
Mr. Vincent Kinnear	4/4	13	-	3/4	-	3/4	2/4	-	49,144
Mrs. Mmametsi Setlhare	2/4	6	2	3	-	2	-	1	32,400
Mrs. Keineetse Lepekoane	1/4	3	2	-	1/12	-	-	-	13,500
Mr. Duncan Pie (Co-opted)	-	5	-	-	8/12	-	-	-	23,400
Mr. Simon Meti (Co-opted)	1/4	4	-	-	-	4/4	-	-	21,753

Internal Controls

In order to meet its responsibility of providing reliable financial information, BPC maintains financial and operational systems of internal controls. The controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal and that those transactions are properly authorised and recorded. External auditors will report material internal control weaknesses that they identify during the course of their external audit to Management and the Audit and Risk Committee. The BPC Board, through the Audit and Risk Committee, oversees the internal control system.

The Corporation has an Internal Audit function that reports directly to the Audit and Risk Committee to provide assurance on the adequacy and effectiveness of controls to mitigate risks to its strategic, operational, financial and compliance objectives.

Internal Audit function

BPC has an independent Internal Audit function which administratively reports directly to the Chief Executive Officer, with a dual reporting to the Audit and Risk Committee. The Internal Audit function process provides assurance that significant risks are subjected to periodic reviews and control processes are in place and weaknesses are identified and mitigated. The Internal Audit function also advises the Board on the adequacy and proper functioning of the Corporation's risk management framework, internal control and governance processes as designed by the Management.

The scope of the Internal Audit function is broad and includes systems of internal control that are in place to achieve:

- Safeguarding of assets;
- Compliance with legislation, regulations, policies and procedures;
- Effectiveness and efficiency of operations;
- Reliability and integrity of financial and operational information; and
- Corporate objectives.

Safety, Health, Environment and Risk Management

Effective risk management is an integral function of the Corporation's processes. Management continually develops and enhances the risk and control procedures in order to improve the mechanisms for identifying and monitoring risk. The Corporation has key policies and procedures are in place to manage risk exposure.

The Corporation strives to conform to and exceed safety, health and environmental requirements, as set by the relevant laws, in its operations. The Corporation also seeks to add value to the quality of life of its employees through the implementation of programmes that encourage healthy living.

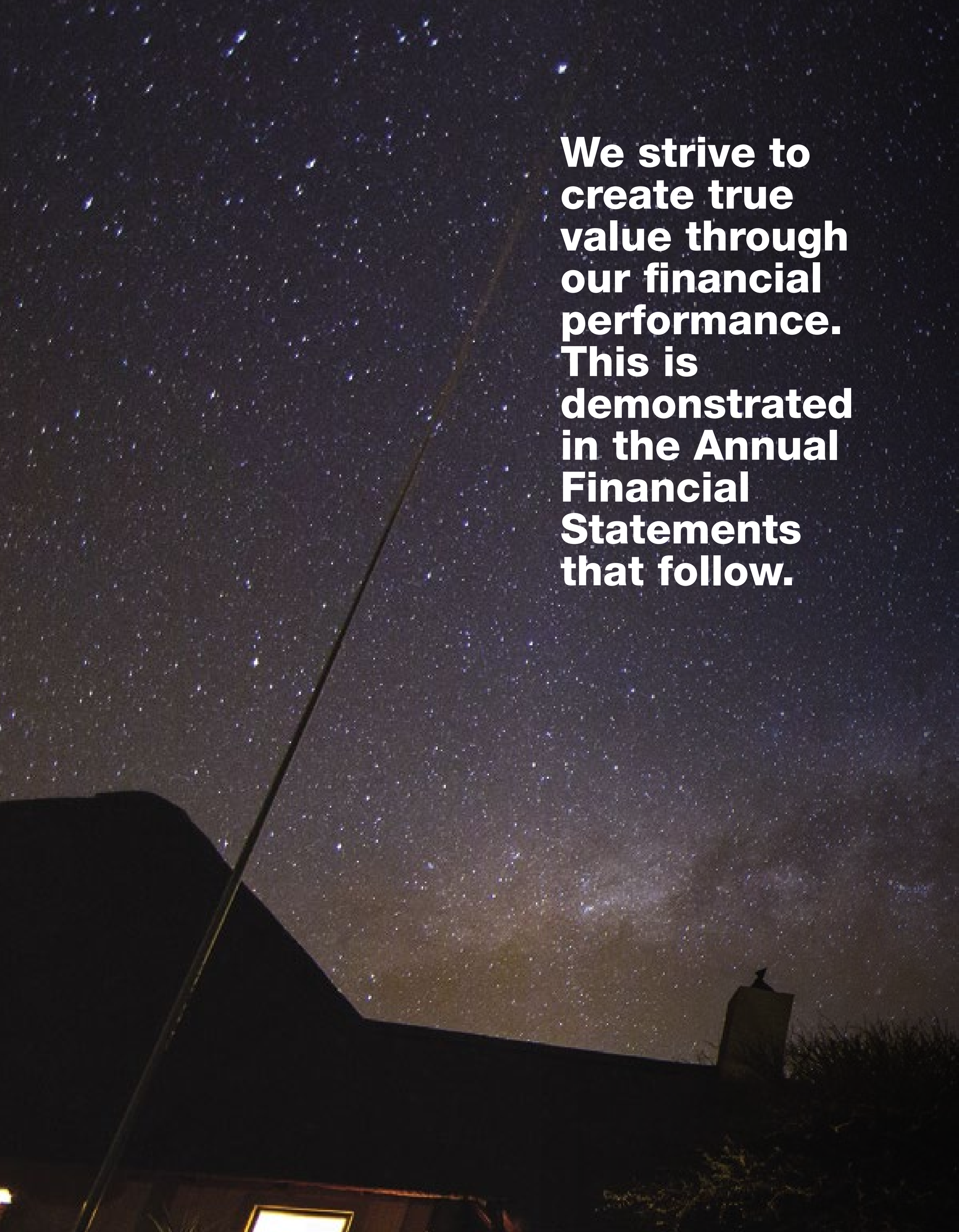
Code of Conduct and Ethics

The Corporation's Code of Conduct and Ethics Policy sets guidelines on desirable behaviours and principles of good conduct on the part of all employees of the Corporation.

Compliance with Laws and other legal requirements

The Board is cognisant of its responsibility and is explicitly committed to upholding ethical behaviour in conducting its business. The Board, through the Corporate Secretariat Department, endeavours to ensure that the Corporation complies with the laws and regulations of Botswana.

"The Corporation seeks to add value to the quality of life of its employees through the implementation of programmes that encourage healthy living"


We strive to create true value through our financial performance. This is demonstrated in the Annual Financial Statements that follow.

BOTSWANA POWER CORPORATION

Annual Financial Statements

Botswana Power Corporation
Annual Report 2019

ACCELERATING ELECTRICITY ACCESS
BOTSWANA POWER CORPORATION ANNUAL REPORT 2019

Contents

General Information

MEMBERS OF THE BOARD

B. Thebenyane	(Chairman)
Prof. O S Motsamai	(Vice Chairman)
K. Blanchard	
B. Kenosi	
G. Mogotsi	
P. Khowe	
Dr. O Obakeng	
V. Kinnear	
Dr. L Kelebopile	

EXECUTIVE MANAGEMENT

C. Kgosidiile	Chief Executive Officer (Acting)
L. Moshoeshoe	Chief Financial Officer (Acting)
Z. Witbooi	General Manager Generation
B Nlebgwa	General Manager Human Resources (Acting)
E. Bopadile	General Manager Internal Audit
E. Rugoyi	General Manager Transmission and Distribution
D. Seleke	Marketing and Communication Manager
A. Moncho	Safety Health Environment and Risk Manager
O. Saleshando	Strategy and Transformation Manager
J. Norman	General Corporate Counsel/Board Secretary

NATURE OF BUSINESS

Botswana Power Corporation (the Corporation) was established by the Botswana Power Corporation act (Cap 74:01) to provide electricity throughout Botswana. The address of registered office is Motlakase House, Macheng Way, P O Box 48, Gaborone.

AUDITORS

PriceWaterhouseCoopers
P O Box 294
Gaborone

BANKERS

First National Bank of Botswana Limited
First National Bank Limited (South Africa)
Barclays Bank of Botswana Limited
Standard Chartered Bank Botswana Limited
Stanbic Bank Botswana Limited

ATTORNEYS

Armstrongs	Minchin and Kelly	Collins Newman & Co
P O Box 1368	P O Box 1339	P O Box 882
Gaborone	Gaborone	Gaborone

Statement of Responsibility and Approval of Financial Statements by the Members of the Board

31 March 2019

RESPONSIBILITY STATEMENT BY THE MEMBERS OF THE BOARD

The Members of the Board are responsible for the preparation and fair presentation of the financial statements of Botswana Power Corporation ("the Corporation"), comprising the statement of financial position as at 31 March 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") .

The Members of the Board are required by the Botswana Power Corporation Act (Cap 74:01), to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Corporation as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the financial statements.

The Members of the Board are responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and for such internal controls as the Members of the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The Members of the Board's responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The Members of the Board acknowledge that they are ultimately responsible for the system of internal financial control established by the Corporation and place considerable importance on maintaining a strong control environment. To enable the board to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. While operating risk cannot be fully eliminated, the Corporation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The external auditors are responsible for independently reviewing and reporting on the Corporation's financial statements and their report is presented on pages 90 to 95.

DISCLOSURE OF AUDIT INFORMATION

Each of the Members of the Board at the date of approval of this report confirms that:

- in so far as the Member is aware, there is no relevant audit information of which the Corporation's auditor is unaware; and
- the Member has taken all the steps that he/she ought to have taken as a Member of the Board to make himself/herself aware of any relevant audit information and to establish that the Corporation's auditor is aware of that information.

GOING CONCERN

The Members of the Board have made an assessment of the Corporation's ability to continue as a going concern and believe that the continued financial support pledged by the shareholder, the Government of the Republic of Botswana, and the revision of the tariffs, together with the ongoing operational efficiency initiatives are critical, and will ensure that the Corporation continues as a going concern in the next twelve months. See note 43.

APPROVAL OF THE FINANCIAL STATEMENTS BY MEMBERS OF THE BOARD

The financial statements set out on pages 96 to 142, which have been prepared on the going concern basis, were approved by the board on 23 August 2019 and were signed on its behalf by:

Mr. B. Thebenyane	Mr. P. Khowe
(Chairperson of the Board)	(Member of the Board)

Independent Auditor's Report

To The Minister of Mineral Resources, Green Technology and Energy Security

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Power Corporation (the "Corporation") as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Botswana Power Corporation's financial statements set out on pages 96 to 142 comprise:

- the statement of financial position as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the summary of significant accounting policies; and
- the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section of our report*.

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

Independence

We are independent of the Corporation in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

Key audit matters

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

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Country Senior Partner: B D Phirie
Partners: R Binedell, A S Edirisinghe, L Mahesan, S K K Wijesena

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Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment of consumer loans and trade receivables At 31 March 2019, the Corporation recognised expected credit loss ("ECL") provisions of: ● P96,241,000 with respect to consumer loans provided under the Corporation's hire purchase scheme (note 16 to the financial statements); ● P84,933,000 with respect to consumer loans under the National Electrification Standard Cost ("NESC") scheme (note 20 to the financial statements); ● P125,312,000 with respect to trade receivables for electricity sales (note 22 to the financial statements); and ● P7,563,000 with respect to small work contractor receivables (note 22 to the financial statements). The Corporation adopted IFRS 9 - Financial Instruments ("IFRS 9") to measure the allowance for impairment of trade receivables and consumer loans for the first time in the 2019 reporting period. The introduction of the impairment requirements of IFRS 9 require impairment allowances to be considered on an expected credit loss basis as opposed to the incurred credit loss basis previously adopted by the Corporation. This change in accounting policy required the Corporation to develop an impairment model to calculate Expected Credit Losses ("ECLs"). *Trade receivables* The Corporation applies the simplified approach and recognises lifetime ECLs for trade receivables. These have been assessed using a provision matrix, which groups customers with shared credit risk characteristics and days past due, and applying expected loss rates to the groupings.	Our audit procedures included the following: We assessed the accounting policies relating to the trade receivables and consumer loans and found these to be in accordance with the requirements of IFRS 9. ***Trade receivables*** We assessed the Corporation's ECL provision matrix against the requirements of IFRS 9 and found the model to be consistent with these requirements. We tested the underlying historical data utilised in the ECL provision matrix as at 1 April 2018 and 31 March 2019 to supporting documents, calculations and other audited information and found no exceptions. We assessed the segmentation of customers utilised in the ECL provision matrix based on our understanding of the nature and related risk profiles of the Corporation's customers and found the Corporation's segmentation to be reasonable. We built our own independent assessment of the expected loss rates and ECL provision, including consideration of current and forward looking macroeconomic factors, and compared our results against those of the Corporation. We found the Corporation's estimates to be within an acceptable range in the context of an ECL model. ***Consumer loans*** We assessed the Corporation's ECL impairment model against the requirements of IFRS 9 and found the model to be consistent with these requirements. We compared the observable data underpinning the PD calculation as at 1 April 2018 and 31 March 2019 to relevant data sources and found no material exceptions.

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Key audit matter	How our audit addressed the key audit matter
The Corporation exercises judgement in assessing ECL, specifically in relation to determining the expected loss rates used in the provision matrix and the segmentation of customers by risk profile. Expected loss rates are determined based on historical losses adjusted to reflect current and forward looking macroeconomic factors, where relevant, affecting the customer's ability to settle the outstanding amount. *Consumer loans* The Corporation applies the general approach to impairment of consumer loans, with lifetime ECLs only recognised when there is a significant increase in credit risk . This has been assessed using an impairment model having taken into account of Probabilities of Defaults ("PDs"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). The Corporation exercises judgement in determining PDs and LGD. PDs are determined based on historical default rates adjusted for forward looking macroeconomic factors, where relevant and LGD is determined based on historical post default recoveries (which were considered to be insignificant). The ECL impairment assessment of trade receivables and consumer loans was considered to be a matter of most significance to the current year audit due to the complexity inherent in the first time adoption of IFRS 9, and the judgement applied by the Corporation. Disclosures with respect to the application of IFRS 9 in determining the allowance for ECLs are contained in: ● Summary of significant accounting policies |Adoption of new and revised international reporting standards ● Summary of significant accounting policies Financial Instruments: IFRS 9 | Impairment of financial assets ● Note 16 Consumer loans – Hire purchase scheme, Note 20 Consumer Loans – NESC, Note 22 – Trade and other receivables	We tested the mathematical accuracy of the Corporation's ECL model and found no material exceptions. We challenged assumptions and judgements made by the Corporation through discussion with management, comparison to data and our knowledge of the operations as gained through our audit in determining PD, LGD, EAD and application of forward looking macroeconomic factors and found these to be reasonable. We evaluated the adequacy of the financial statement disclosures, including disclosures of: ● key assumptions, judgements and sensitivities; and ● the impact of the transition to IFRS 9 on the opening balances relating to trade receivables, consumer loans and retained earnings. We found these to be in line with relevant requirements.

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Other information

The Members of the Board are responsible for the other information. The other information comprises the information included in the document titled "Botswana Power Corporation Annual Financial Statements for the year ended 31 March 2019", which we obtained prior to the date of this auditor's report and the other sections of the document titled "Botswana Power Corporation Annual Report 2019", which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Members of the Board for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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Report on other legal and regulatory requirements

In accordance with Section 22(3) of the Botswana Power Corporation Act (Chapter 74:01) (the "Act"), we confirm that:

- We have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the performance of our duties as auditors;
- The accounts and related records of the Corporation have been properly kept;
- As set out more fully in Note 42 to the financial statements, the Corporation has complied with all the financial provisions of the Act with which it is the duty of the Corporation to comply; and
- The financial statements prepared by the Corporation were prepared on a basis consistent with that of the preceding year, except as explained in the Summary of Significant Accounting Policies (Standards and Interpretations effective in the current year).

PricewaterhouseCoopers

Individual Practicing member: Rudi Binedell
Registration Number: 20040091

Gaborone
18 September 2019

Statement of Comprehensive Income

For the Year Ended 31 March 2019

	Notes	2019 P'000	2018 P'000
Revenue	1	3,363,144	3,009,561
Other operating income	2	117,511	157,826
Consumer tariff subsidy	7	800,000	1,457,000
TOTAL OPERATING INCOME		**4,280,655**	**4,624,387**
Generation, transmission and distribution expenses	3	(3,022,335)	(2,875,888)
Administration and other expenses	4	(530,341)	(590,681)
TOTAL OPERATING EXPENSES		**(3,552,676)**	**(3,466,569)**
OPERATING PROFIT		**727,979**	**1,157,818**
Interest income	8	26,994	16,539
Finance costs	9.1	(275,055)	(239,654)
Net exchange (losses)/gains	9.2	(749,255)	635,072
Fair value gain/(loss) on cross currency and interest rate swap	10	511,812	(751,264)
PROFIT BEFORE TAX		**242,475**	**818,511**
Income tax expense	11	(40,554)	(144,403)
PROFIT FOR THE YEAR		**201,921**	**674,108**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss;			
Gains on revaluation of land and buildings and generation, transmission and distribution assets	12	87,318	1,095,824
Deferred tax effect	28	(13,098)	(161,854)
TOTAL OTHER COMPREHENSIVE INCOME		**74,220**	**933,970**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**276,141**	**1,608,078**

Statement of Financial Position

As at 31 March 2019

	Notes	2019 P'000	2018 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	19,271,354	18,674,634
Future coal supplies	13	-	20,030
Investments at amortised cost	14	25,931	23,993
Other financial assets at fair value	34	855,225	418,163
		20,152,510	**19,136,820**
Current assets			
Future coal supplies	13	20,030	20,031
Standard cost recovery - NESC	19	276,752	313,825
Investments at amortised cost	14	1,250,025	555,087
Consumer loans - hire purchase scheme	16	13,333	7,533
Consumer loans - NESC	20	14,243	10,189
Inventories	21	477,422	367,549
Trade and other receivables	22	320,442	346,778
Bank balances and cash	15	289,821	175,600
		2,662,068	1,796,593
TOTAL ASSETS		**22,814,578**	**20,933,412**
EQUITY AND LIABILITIES			
Capital and reserves			
Irredeemable capital	23	8,621,076	7,853,800
Revaluation reserve	24	4,204,844	4,130,624
Other reserves	25	1,803,087	1,803,087
Accumulated loss		(3,844,317)	(4,143,222)
		10,784,690	**9,644,289**
Non-current liabilities			
Deferred income - consumer financed projects	27	2,672,650	2,726,646
Borrowings	29	4,901,029	4,782,971
Consumer deposits	30	80,118	78,967
Deferred tax liability	28	320,190	266,734
		7,973,987	**7,855,319**
Current liabilities			
Bank overdraft	38.8.2	-	6
Consumer loans - rural collective scheme	17	87,995	83,869
Standard cost recovery	18	86,672	86,672
Government grant and advances	26	-	73,194
Borrowings	29	492,264	436,520
Consumer deposits refunds	30	2,752	3,020
Trade and other payables	31	1,854,037	1,559,401
Advances - consumer financed projects	32	1,386,640	954,040
Provisions	33	145,541	237,083
		4,055,901	**3,433,805**
TOTAL EQUITY AND LIABILITIES		**22,814,578**	**20,933,412**

Statement of Changes in Equity

For the Year Ended 31 March 2019

	Notes	Irredeemable capital P'000	Revaluation reserve P'000	Other reserves P'000	Accumulated losses P'000	Total P'000
Balance at 31 March 2017		**6,368,472**	**3,196,654**	**1,803,087**	**(4,817,330)**	**6,550,883**
Profit for the year		-	-	-	674,108	674,108
Other comprehensive income (net of tax)		-	933,970	-	-	933,970
Transactions with owners in their capacity as owners						
Irredeemable capital contribution	23	1,485,328	-	-	-	1,485,328
Balance at 31 March 2018		**7,853,800**	**4,130,624**	**1,803,087**	**(4,143,222)**	**9,644,289**
Opening balance 1 April 2018		7,853,800	4,130,624	1,803,087	(4,143,222)	9,644,289
Day 1 adjustment on adoption of IFRS 9		-	-	-	96,984	96,984
Restated balances as at 1 April 2018		**7,853,800**	**4,130,624**	**1,803,087**	**(4,046,238)**	**9,741,273**
Profit for the year		-	-	-	201,921	201,921
Other comprehensive income (net of tax)		-	74,220	-	-	74,220
Transactions with owners in their capacity as owners						
Irredeemable capital contribution		767,276	-	-	-	767,276
Balance at 31 March 2019		**8,621,076**	**4,204,844**	**1,803,087**	**(3,844,317)**	**10,784,690**

Statement of Cash Flows

For the Year Ended 31 March 2019

	Notes	2019 P'000	2018 P'000
CASH FLOWS USED IN OPERATING ACTIVITIES:			
Cash generated from operations	36	1,814,419	942,140
Income tax paid		(196)	(420)
Net cash used in operating activities		**1,814,223**	**941,720**
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Interest received		26,994	16,539
(Decrease)/Increase in investments at amortised cost		(1,938)	4,875
Purchase of property, plant and equipment	12	(1,023,771)	(1,468,046)
Proceeds from disposal of property, plant and equipment		852	5,429
Net cash used in investing activities		**(997,863)**	**(1,441,204)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(574,166)	(360,475)
Interest paid		(275,055)	(239,654)
Net settlements on other financial assets	10	74,750	(70,216)
Irredeemable capital contribution from the Government	23	767,276	1,485,328
Net cashflow from financing activities		**(7,195)**	**814,983**
Net increase in cash and cash equivalents		**809,165**	**315,500**
Cash and cash equivalents at beginning of the year		730,681	415,181
Cash and cash equivalents at end of the year		**1,539,846**	**730,681**
Cash and cash equivalents comprise:			
Investments at amortised cost	14	1,250,025	555,087
Bank balances and cash	15	289,821	175,600
Bank overdraft		-	(6)
		1,539,846	730,681

Summary of Significant Accounting Policies

For the Year Ended 31 March 2019

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared on the historical cost basis except for the revaluation of certain property, plant and equipment and financial instruments and are presented in Botswana Pula (BWP). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Pula unless otherwise stated.

The financial statements incorporate the following principal accounting policies which have been consistently followed in all material respects except for the changes set out in note 1.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and interpretations effective in the current year

In the current year, the Corporation has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on or after 1 April 2018. Adoption of IFRS 9 has had a significant impact on the financial statements of the Corporation (Refer to details below), whereas there had been no material impact from the adoption of the other standards.

IFRS 9 – Financial Instruments (2009 &2010) (effective annual periods beginning on or after 1 January 2018)

This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. 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.

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

As permitted by the transitional provisions of the standard, the Corporation elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets/liabilities at the date of transition were recognised in the opening retained earnins. The Corporation does not hedge its financial risks and therefore hedge accounting is not relevant. The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. (effective annual periods beginning on or after 1 January 2018).

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and interpretations effective in the current year (continued)

The following table illustrates the impact on reported balances on transition to IFRS 9.

	Note	Balance at 31 March 2018 - as reported P'000	IFRS 9 Transitional adjustment P'000	Adjusted balance 1 April 2018 P'000
Irredeemable capital		7,853,800	-	7,853,800
Revaluation reserve		4,130,624	-	4,130,624
Other reserves		1,803,087	-	1,803,087
Accumulated loss		(4,143,222)	96,984	(4,046,238)
Liabilities		11,289,123	-	11,289,123
Total equity and liabilities		20,933,412	96,984	21,030,396
Non-current assets		19,136,820	-	19,136,820
Consumer loans - hire purchase scheme	16	7,533	2,963	10,496
Consumer loans - NESC	20	10,189	(47)	10,142
Trade and other receivables	22	346,778	94,068	440,846
Other current assets		1,432,092	-	1,432,092
Total assets		20,933,412	96,984	21,030,396

As noted above, day 1 adjustment for Impairment provision for trade and other receivable as per IFRS 9 resulted in a release of the provision as the Corporation had adopted a conservative provisioning method under IAS 39 where all balances above 90 days past due were provided for.

IFRIC 22, 'Foreign currency transactions and advance consideration (effective annual periods beginning on or after 1 January 2018)

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

IFRS 15 – Revenue from contracts with customers. (effective Annual periods beginning on or after 1 January 2018)

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.

The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

Standards in issue but not yet effective

At the authorisation of these financial statements, the following standards were issued but not yet effective for annual periods beginning on or after.

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards in issue but not yet effective (continued)

IFRS 16 – Leases (effective annual periods beginning on or after 1 January 2019)

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The Corporation has done an assessment of the impact of IFRS 16 and concluded that the standard will not have any significant impact on the financial statements of the Corporation.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings and generation, transmission and distribution assets are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. The Corporation's land and buildings and generation, transmission and distribution assets are revalued at minimum five year intervals.

Any revaluation increase arising on the revaluation of such items of property, plant and equipment is credited in equity to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and generation, transmission and distribution expenses is charged to profit or loss. On the subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised. Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The following are the rates assessed by management at year end as being reflective for the remaining useful lives of the items of property, plant and equipment.

Buildings		25 - 60 years
Generation, transmission and distribution		
	Generation facilities	20 - 60 years
	Transmission facilities	20 - 60 years
	Distribution facilities	10 - 45 years
Other	Equipment and motor vehicles	7 - 25 years
	Furniture and office equipment	3 - 5 years
	Data processing equipment and software	3 - 5 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss and the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Assets that have an indefinite useful life like freehold are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and other non-current assets are reviewed for impairment losses 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 carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

IMPAIRMENT OF TANGIBLE ASSETS

At each reporting date, the Corporation reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

IMPAIRMENT OF TANGIBLE ASSET (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

FUTURE COAL SUPPLIES

Non-refundable payments for capital charges and fixed charges to suppliers of coal for the period that the Corporation did not receive coal due to construction delays of the power station are deferred in the statement of financial position within future coal supplies and amortised over a period of eight years against the cost of coal supplied on the basis of the estimated annual tonnages and actual tonnes delivered. Under-recovered capital and fixed charges incurred during periods when the Corporation received lower tonnage than scheduled are immediately recognised in profit or loss.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value ("NRV") . Costs are assigned to inventories by the method most appropriate to the particular class of inventory being valued on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The Corporation reviews the net realisable value of inventory on a periodic basis in order to determine whether inventory is being held in the books at the lower of its cost and NRV. A provision for obsolete inventory is processed to write down inventory to NRV, where there are indications that the cost is more than the NRV.

RETIREMENT BENEFITS

The Corporation's contributions are charged to income statement in the year in which they accrue and the Corporation has no further liability.

A defined contribution plan is a pension plan under which the Corporation pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The Corporation pays gratuity to contracted staff in accordance with their respective contracts of employment.

Employees' entitlements to annual leave are recognised when they accrue to employees and a provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method.

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

TAXATION (continued)

Deferred tax (continued)

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Corporation's leases are principally of an operating lease nature.

Operating leases

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

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

CONSUMER TARIFF SUBSIDY

Tariff subsidy and emergency power grant comprise amounts received from the Government in respect of subsidies on electricity tariffs, emergency power and generation costs. These are recognised in the income statement in the period to which they relate. The receipts from Government are amortised to profit or loss to match the operating expenses.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

BORROWING COSTS (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

FOREIGN CURRENCIES

In preparing the financial statements of the Corporation, transactions in currencies other than the Corporation's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

TRADE AND OTHER PAYABLES

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables 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 and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

PROVISIONS

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

RELATED PARTY TRANSACTIONS

Related parties are defined as those parties:

(a) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the entity;
- has an interest in the entity that gives it significant influence over the entity; or

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

FINANCIAL INSTRUMENTS: IFRS 9

Financial instruments held by the Corporation are classified in accordance with provisions of IFRS 9 Financial Instruments.

Financial assets

The date of initial application (i.e. the date on which the Corporation has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2018.

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

FINANCIAL INSTRUMENTS: IFRS 9 (continued)

Financial assets (continued)

Accordingly, the Corporation has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- Financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the financial assets, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- All other financial assets are measured subsequently at fair value through profit or loss (FVTPL)

Under the old IAS 39 Financial Assets were classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

At fair value through profit or loss (FVTPL)

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 short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current if expected to be settled within 12 months, otherwise they are classified as non-current. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transactions costs are expensed in the income statement. Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transfered and the Corporation has transferred substantially all risks and rewards of ownership. Gains and losses arising from the changes in the fair value of the FVTPL are presented in the income statement in the period in which they arise.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalent. These largely includes fixed deposits with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity are classified as investment at amortised cost. These investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

FINANCIAL INSTRUMENTS: IFRS 9 (continued)

Financial Assets at Amortised Cost

Trade receivables, consumer loans (rural collective schemes and hire purchase), and other receivables are classified as Financial Assets at Amortised Cost. They are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

The Corporation adopted IFRS 9 - Financial Instruments ("IFRS 9") to measure the allowance for impairment of trade receivables and consumer loans for the first time in the 2019 reporting period. The introduction of the impairment requirements of IFRS 9 require impairment allowances to be considered on an expected credit loss basis as opposed to the incurred credit basis previously adopted by the Corporation. This change in accounting policy required the Corporation to develop an impairment model to calculate Expected Credit Losses ("ECLs") and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the trade receivable and consumer loans. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9, the Corporation recognises a loss allowance for expected credit losses on: Financial assets measured subsequently at amortised cost ; and Financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, in accordance with IFRS 9, the Corporation measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Measurement and recognition of expected credit losses

The Corporation adopted simplified approach in determining the expected credit losses on Trade receivables (Trade receivable for electricity sales and small work contractor receivable) and general approach for Consumer loans *[Consumer loans - hire purchase scheme, Consumer loans - NESC ("National Electrification Standard Cost schemes")].*

Expected Credit Loss ("ECL") on Trade receivables has been assessed using provision matrisk by grouping customers with shared credit risk characteristics and days past due. The matrisk is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both current and forecast direction of conditions at the reporting date. Expected loss rates are determined based on historical losses adjusted to reflect current and forward looking macroeconomic factors, where relevant, affecting the customer's ability to settle the outstanding amount. Refer note 22 for details.

Corporation's Consumer loans are given for a period more than one year. However, majority of the balances are in default bucket (90+ days). Interest earned on Consumer loans are immaterial. Expected Credit Loss ("ECL") on consumer loans has been assessed using an impairment model having taken into account of Probabilities of Defaults (PDs), Exposure at Default (EAD) and Loss Given Defaults ("LGD"). PDs have been calculated based on historical default rates adjusted for forward looking looking macroeconomic factors, where relevant. Refer note 22 for details. LGD is considered to be 100% as post default recoveries are insignificant. EAD is considered to the current oustanding balance as balances in the non-default catergory is not material and no significant financing element.

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

FINANCIAL INSTRUMENTS: IFRS 9 (continued)

Measurement and recognition of expected credit losses (continued)

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of the financial asset.

Significant increase in credit risk

In assessing whether the credit risk on a receivable group has increased significantly since initial recognition, the Corporation compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. The Corporation considers both quantitative and qualitative information that is both historical and forward looking. Forward looking information includes future prospects of the industry or segment obtained from economic experts, government bodies and relevant think-tanks.

On general note, the credit risk of a receivable is always presumed to have increased significantly since initial recognition if the payments are more than 30 days due.

Derecognition of financial assets

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Corporation

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs. In the Corporation's case, there is no equity issued, however the Government of Botswana, which is the owner through the Botswana Power Corporation Act (74:01) has a residual interest in the assets of the entity after deducting all of its liabilities.

Financial liabilities

Under IFRS 9, the treatment of Financial liabilities has not changed and is the same as IAS 39.

Financial Liabilities at FVTPL

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'financial liabilities at amortised cost'.Financial liabilities at FVTPL Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if: it has been acquired principally for the purpose of repurchasing it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument. A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

FINANCIAL INSTRUMENTS: IFRS 9 (continued)

Financial Liabilities at FVTPL (continued)

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 36.9.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. This has been disclosed as other financial assets on the statement of financial position. Further details of derivative financial instruments are disclosed in note 10 and 34. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

CONSUMER DEPOSITS

Consumer deposits are carried at the proceeds received from consumers. They are refundable to consumers when their accounts are closed and there are no balances owing to the Corporation. These are not measured at fair value as the fair value cannot be reliably determined due to the uncertainty of when they would be refunded to consumers.

DEFERRED INCOME CONSUMER FINANCED PROJECTS

Deferred income consumer financed projects comprises the cost of capital projects that are financed by third parties. Deferred income consumer financed projects is recognised on completion of such projects and is amortised to the profit or loss (as a deduction in Generation, Transmission and Distribution expenses) over the useful life of the related item of property, plant and equipment on a straight line basis.

ADVANCES ON CONSUMER FINANCED PROJECTS

Advances on consumer financed projects comprise funds received/receivable from customers and the Government of Botswana in advance of capital projects financed by the customers/Government. The actual expenditure on these capital projects is netted off against these advances on consumer financed projects as and

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

ADVANCES ON CONSUMER FINANCED PROJECTS (continued)

when it is incurred. The carrying amount is considered to be at fair value as the advances are not utilised during the normal course of the business of the Corporation.

NATIONAL ELECTRIFICATION STANDARD CONNECTION COST (NESC) RECOVERY

National electrification standard connection cost comprises of refunds due from Government through the National Electrification Standard Cost Connection Fund. The amount claimable by the Corporation is the difference between the standard charge of P5,000 borne by the customer and the actual cost incurred by the Corporation in connecting the customers. The excess of the actual costs incurred over and above the P5,000 is recoverable from the National Electrification Standard Connection Cost Fund. This Fund was established from P0.05 (5 thebe) levied to customers for every kWh billed.

STANDARD COST RECOVERY/NESC

Standard cost recovery comprises the excess of the amount levied to customers for new electricity connections and the actual expenditure incurred by the Corporation to effect these connections. This amount is recoverable through further connections around the initial connection which are assumed to be within the standard cost. Consumers are expected to pay a standard fee for connections which is assumed to be more than the actual cost incurred by the Corporation when work is being done in an area where a connection has already been set up for previous customers at a higher cost. However, Government fully paid the standard cost deficit in prior years and the amount is now being treated as a Government revolving fund.

REVENUE

The Corporation treats revenue in accordance with the provisions of IFRS 15. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances. In arriving at recognition of revenue in line with IFRS 15, Corporation applied the standard's five step model framework. First of all the Corporation unbundled all revenue streams into distinct lines and recognised it when all of the following conditions are satisfied:

- the Corporation has a written/implied contract with a customer; and
- Identification of perfomance obligations; and
- Determination of transaction price;and
- Allocation of transaction price to the performance obligations to the contract; and
- Recognise revenue when (or as) the entity satifies a perfomance obligation.

It was discovered that prior IFRS 15 implementation, the Corporation revenue recognition still statisfied the provisions of IFRS 15 and hence no adjustment were made for prior years.

Sale of Electricity

Sale of electricity is recognised when consumed for account consumers. Invoicing is done monthly on an accrual basis. The Corporation also sells prepaid electricity which consumers key into the meters installed at their premises.

As at reporting date, prepaid electricity that has not been utilised by the consumers is recognised as deferred revenue. The consumption of the prepaid electricity is measured by the meters installed at the consumers' premises. The Corporation estimates the amount of such prepaid electricity sales utilised at year end based on the current buying patterns. Reconnection charges are recognised when the reconnection services are provided.

Consumer Finance Recoveries

Revenue from consumer financed projects recoveries arise on 5.5 % administration fee charged to cover electricity connection costs from customers. This revenue is recognised when the obligations of both the customer and the Corporation has been effected and can be reliably priced.

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

REVENUE (continued)

Interest received

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other income

The revenue from sale of material is recognised in line with IFRS 15 provisions.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

The Corporation sells prepaid electricity which consumers key into the meters installed at their premises. As at reporting date, prepaid electricity that has not been utilised by the consumers is not recognised as revenue as the Corporation has not satisfied the related perfomance obligation and thus it is deferred in line with IFRS 15. The consumption of the prepaid electricity is measured by the meters installed at the consumers' premises. The Corporation estimates the amount of such prepaid electricity sales utilised at year end based on the current buying patterns.

Investment at Fair Value

The directors have reviewed the Corporation's financial assets at fair value in the light of its capital maintenance and liquidity requirements and have confirmed the Corporation's positive intention and ability to hold those assets to maturity. The carrying amount of the financial assets at fair value is P25,931,000 (2018: P23,993,000). Details of these assets are set out in note 14.

KEY SOURCES OF ESTIMATION UNCERTAINITY

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

Useful lives of property, plant and equipment

As described at above, the Corporation reviews the estimated useful lives of property, plant and equipment and residual values at the end of each reporting period. During the financial year, the directors determined that the useful life of items of property, plant and equipment should remain the same as in the prior year as there has not been any material change in the condition of the equipment.

Revaluation of property, plant and equipment

The Corporation periodically commissions external experts to value property, plant and equipment. The latest revaluation was carried out at 31 March 2018.

Market values for land were determined based on the market comparable approach which reflects recent transaction prices for similar properties. Since the comparable property sales are not identical to the subject property, adjustments maybe made for the date of sale, location style, amenities, square meters and site size. The fair values of buildings and generation transmission and distribution assets was determined using the replacement cost approach which reflects the cost to the market participant to construct assets of a comparable utility and age, adjusted for obsolescence. The significant inputs include estimated construction costs and other ancillary expenditure and a depreciation factor applied to the estimated construction cost.

As at 31 March 2019, the Corporation performed a fair value assessment on land and building, generation transmission and distribution assets and an upward P87 million adjustment was recognised. Changes to

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

KEY SOURCES OF ESTIMATION UNCERTAINITY (continued)

Revaluation of property, plant and equipment (continued)

the fair value of land and buildings have been assessed by considering factors such as inflation, construction material prices, labour price indices, general economic factors and property and construction cost guide and concluded that the market movements over the past 12 months are negligible. Changes to the fair value of generation transmission and distribution assets have been determined based on the depreciated replacement cost stated above.

Solar Station Grant

In 2012, Corporation received a grant of 1 MW Solar Power Station (Phakalane, Gaborone) from Government of Japan for a project of introduction of clean energy by solar electricity generation system. There are no specific conditions attached to the grant. The Corporation estimated the fair value of the Power Station and underlying property and its improvements using replacement cost to be P18.225 million and recognised the asset and deferred income in the current year.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if the market participants would take those characteristics into account when pricing that asset or liability at the measurement date. Fair value measurement and/or disclosure purposes in these financial statements is determined on such basis, except for leasing transactions within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and significance of the inputs to the fair value measurements in its entirety which are described as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the Corporation can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs are unobservable inputs for the asset or liability.

Some of the Corporation's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Corporation uses market-observable data to the extent available. Where level 1 inputs are not available, the Corporation engages third party qualified valuers, to determine the valuation techniques and inputs for the fair value measurements. Management of the Corporation work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of the assets and liabilities are disclosed in notes 10 and 37.8.1.

Provision for obsolete inventory

The Corporation reviews the net realisable value ("NRV") of inventory on a periodic basis in order to determine whether inventory is being held in the books at the lower of its cost and NRV. Any slow moving and obsolete stock (over 365 days old) is provided.

Summary of Significant Accounting Policies (continued)

For the Year Ended 31 March 2019

KEY SOURCES OF ESTIMATION UNCERTAINITY (CONTINUED)

Impairment of consumer loans and trade receivables

The Corporation adopted simplified approach in determining the expected credit losses on Trade receivables *(Trade receivable for electricity sales and small work contractor receivable)* and general approach for Consumer loans *[Consumer loans - hire purchase scheme, Consumer loans - NESC ("National Electrification Standard Cost schemes")].*

Expected Credit Loss ("ECL") on Trade receivables has been assessed using provision matrisk by grouping customers with shared credit risk characteristics and days past due. Information on key judgement such as look back period and forward looking macroeconomic factors and related sensitivies are given on note 22.

Expected Credit Loss ("ECL") on consumer loans has been assessed using an impairment model having taken into account of Probabilities of Defaults (PDs), Exposure at Default (EAD) and Loss Given Defaults ("LGD"). PDs have been calculated based on historical default rates adjusted for forward looking looking macroeconomic factors, where relevant. LGD is considered to be 100% as post default recoveries are insignificant. EAD is considered to the current oustanding balance as balances in the non-default catergory is not material and no significant financing element.

There are no write-offs during historical look back period due to administrative matters. Therefore, point of loss considered to be balances identified to be written off (normally due for more than 365 days).

Income tax

Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Income Tax Act was amended during February 2016 to bring all parastatal entities and other state-owned enterprises, which had previously been exempted from income tax, to be within the ambit of the Act. The revised Act allows the Minister of Finance and Economic Development to exempt specific parastatal entities and state-owned enterprises from income tax. The Honourable Minister identified those entities which are to be exempted from income tax in the Income Tax (Bodies Corporate Exempt From Tax) Regulation, 2016 of 1 July 2016. The Corporation was not identified as an exempt entity in this regulation and is thus subject to income tax for the first time in the current year.

The Botswana Unified Revenue Services (BURS) has not issued any guidelines as to any transitional arrangements which would apply in the first tax period for the newly taxable entities. Accordingly, the Corporation has estimated the income tax liability for the current year based on management's best interpretation of the Income Tax Act as it may apply to the Corporation. This has required the Corporation to make a number of judgments in the calculation of its current and deferred tax charges and balances.

The most significant of these judgments are:

- the income tax liability has been calculated based on the income for the full financial year (although a possible interpretation of the Income Tax Act may indicate that this should be portion of the financial year)
- capital allowances on property, plant and equipment existing at the beginning of the financial year have been calculated using the accounting book value of such property and equipment as at 31 March 2017 as proxy for cost in accordance with the Income Tax Act.

These judgments maybe challenged by BURS during future financial periods, as and when income tax assessments are submitted, etc. Any changes in the recorded value of current and deferred income tax as a result of different views taken by BURS will be accounted for in the financial statements for the year when such changes occur.

Notes to the Financial Statements

For the Year Ended 31 March 2019

		2019 P'000	2018 P'000
1. REVENUE			
Sale of electricity:			
Mining		578,318	539,002
Commercial		1,294,600	1,159,272
Domestic		925,774	817,877
Government		560,741	490,994
		3,359,433	**3,007,145**
Interest earned on consumer loans		2,748	1,786
Reconnection charges		963	630
		3,363,144	**3,009,561**
2. OTHER OPERATING INCOME			
Profit on sale of materials		17,351	32,620
Penalties and late payment fees		7,702	8,600
Rent receivable		4,823	4,938
Wheeling revenue		8,656	5,913
Consumer finance projects recoveries		51,196	53,543
Sales to Southern African Power Pool (SAPP)		19,675	38,494
Other sundry income		7,354	10,988
Profit on disposal of property, plant and equipment		754	2,732
		117,511	**157,826**
3. GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES			
Fuel, water and chemicals		885,222	772,139
Power purchases		861,352	719,864
Maintenance	- Generation	381,066	454,664
	- Transmission, Distribution	132,373	160,826
Amortisation of deferred income - Other		(89,166)	(77,401)
Staff costs	- Generation	141,187	134,793
	- Transmission, Distribution	213,187	250,628
Depreciation	- Generation	224,090	224,451
	- Transmission, Distribution	263,784	219,846
Other expenses	- Transmission, Distribution	9,239	16,078
		3,022,335	**2,875,888**

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	2019 P'000	2018 P'000
4. ADMINISTRATION AND OTHER EXPENSES		
Staff costs	156,540	105,227
Depreciation of items of property, plant and equipment	37,709	33,153
Auditor's remuneration	1,481	1,255
Board members fees	516	778
Provision/(reversal) of provision for impairment of receivable	37,628	(17,970)
Insurance expenses	34,745	29,855
Postage and telecommunications costs	9,322	10,907
Printing and stationery	1,988	3,015
Rental expense	3,979	4,679
Fuels and lubricants	16,291	12,089
Customs duty, freight charges and price variance	1,254	1,756
Travel and accommodation costs	11,470	9,428
Advertising	3,361	3,263
Commission costs	60,944	53,546
Security costs	17,487	22,605
Litigation claims	22,448	24,294
Bank charges	4,940	4,367
Consultancy fees	9,795	19,490
Office cleaning costs	20,636	19,327
Repairs and maintenance	34,578	35,641
Provision for early exit packages	138	183,183
Other sundry expenses	43,091	30,797
	530,341	**590,681**
5. OPERATING PROFIT		
Operating profit is arrived at after charging/(crediting) the following items:		
Depreciation of items of property, plant and equipment	525,584	477,449
Profit on disposal of property, plant and equipment	(754)	(2,732)
Repairs and maintenance of property, plant and equipment	34,579	40,165
Sale of materials	(250,448)	(271,974)
Cost of materials sold	233,097	239,355
Operating lease charges - property rentals	3,979	4,679
6. STAFF COSTS		
Salaries and wages	455,066	442,565
Gratuities	15,038	7,373
Pension contributions	40,082	40,071
Medical retirement packages	729	638
	510,915	**490,648**
Staffs costs are included in generation, transmission and distribution and administration expenses are reconciled below:		
Staff costs - Generation	141,188	134,793
Staff costs - Transmission, Distribution	213,187	250,628
Staff costs - Administration	156,540	105,227
	510,915	**490,648**

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	2019 P'000	2018 P'000
7. CONSUMER TARIFF SUBSIDY	**800,000**	**1,457,000**

The Corporation's end user tariffs are lower than the generation cost per unit. Based on the Corporation's long term financial strategy that informs both the required tariff levels and operational subsidy in the medium to long term the Government of the Republic of Botswana paid a grant of P800,000,000 (2018:P1,457,000,000) to partially offset the operating losses.

	2019 P'000	2018 P'000
8. INTEREST INCOME		
Bank balances on call and investments held-to-maturity	**26,994**	**16,539**
9.1 FINANCE COSTS		
Interest on borrowings	**275,055**	**239,654**

The interest costs incurred on the Industrial and Commercial Bank of China (ICBC) loan disclosed per Note 29.

	2019 P'000	2018 P'000
9.2 NET EXCHANGE (LOSSES) /GAINS		
Exchange (losses)/gains on borrowings	(747,968)	635,343
Other exchange (losses) / gains	(1,287)	(271)
	(749,255)	**635,072**
10. FAIR VALUE GAIN/(LOSS) ON CROSS CURRENCY AND INTEREST RATE SWAP		
Realised fair value gain/(loss) on cross currency and interest rate swap	74,750	(70,216)
Received from Standard Bank Plc.	729,447	644,864
Payments to Standard Bank Plc.	(654,697)	(715,080)
Unrealised fair value gain/(loss) on the cross currency and interest rate swap	437,062	(681,048)
	511,812	**(751,264)**

As detailed in Note 34, to reduce the risk of changing interest rates and foreign currency exchange rates on the loan from Industrial and Commercial Bank of China (ICBC), the Corporation entered into a pay fixed interest rate and receive floating interest rate hedging arrangement with Standard Bank Plc. The nature of the hedge in place is that it effectively converts the USD825 million loan into a notional basket currency which historical trends and forecasts have indicated to be highly correlated to the Botswana Pula. During the year, the resultant cash flows translate to an average effective interest rate of 6.83% (2018:6.83%) which management assessed to be reasonable.

The cross currency interest rate swap is revalued at quarterly intervals and the valuation methodology incorporates among other factors unobservable inputs, methodology incorporating basis risk, and assumptions on estimation of probability of default risk and loss given default risk when incorporating Credit Valuation Adjustment and Debit Valuation Adjustments in line with IFRS 13. The fair valuation results indicated an asset of P855,225,000 (2018: P418,163,000). See note 34.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	2019 P'000	2018 P'000
11. INCOME TAX EXPENSE		
Current tax	196	420
Deferred tax	40,358	143,983
	40,554	144,403
Income tax reconciliation:		
Profit before taxation	**242,475**	**818,511**
Taxation at 15% (2018: 15 %)	40,092	122,777
Capital Gains Tax	196	420
Effect of changes in tax rates	-	12,442
Disallowable/non-taxable items	266	8,765
	40,554	144,403

The Corporation obtained manufacturing Development Approval Order from the Ministry of Finance and Economic Development for a reduced income tax rate 15%.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

12. PROPERTY, PLANT AND EQUIPMENT	Land & Buildings	Generation, Transmission & Distribution	Other (Motor Vehicles, Furniture &Equipment)	Capital Work in Progress	Total
	P'000	P'000	P'000	P'000	P'000
2019 Carrying Amount					
Balance at beginning of year	707,098	15,206,690	109,160	2,651,688	18,674,634
Additions	-	23,406	41,171	959,194	1,023,771
Additions from Grants	2,995	16,000	-	-	18,995
Disposals cost	-	-	(3,036)	-	(3,036)
Accumulated depreciation eliminated on disposals	-	-	2,938	-	2,938
Reclassification of maintenance expenses from opening balance	-	-	-	(7,683)	(7,683)
Depreciation	(10,682)	(487,874)	(27,028)	-	(525,584)
Transfers	-	214,759	-	(214,759)	-
Revaluation adjustment	-	87,318	-	-	87,318
Balance at end of year	**699,411**	**15,060,299**	**123,205**	**3,388,440**	**19,271,354**
At 31 March 2019					
Cost/valuation	710,093	15,548,173	150,233	3,388,440	19,796,939
Accumulated depreciation and impairment	(10,682)	(487,874)	(27,028)	-	(525,584)
Carrying amount	**699,411**	**15,060,299**	**123,205**	**3,388,440**	**19,271,354**
2018 Carrying Amount					
Balance at beginning of year	614,013	13,859,570	107,980	2,017,446	16,599,009
Additions	46	353,396	8,258	1,106,347	1,468,046
Disposals cost	(2,500)	-	(4,781)	-	(7,281)
Accumulated depreciation eliminated on disposals	152	-	4,432	-	4,584
Reclassification of maintenance expenses from opening balance	-	-	-	(8,100)	(8,100)
Depreciation	(5,282)	(444,296)	(27,871)	-	(477,449)
Transfers	-	442,864	21,142	(464,006)	-
Revaluation adjustment	100,668	995,156	-	-	1,095,824
Balance at end of year	**707,098**	**15,206,690**	**109,160**	**2,651,688**	**18,674,634**
At 31 March 2018					
Cost/valuation	707,098	15,206,690	132,599	2,651,687	18,698,073
Accumulated depreciation and impairment	-	-	(23,439)	-	(23,439)
Carrying amount	**707,098**	**15,206,690**	**109,160**	**2,651,688**	**18,674,634**

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

FAIR VALUE OF LAND AND BUILDING, GENERATION, TRANSMISSION AND DISTRIBUTION ASSETS

The Corporation's land and buildings and generation transmission and distribution assets are revalued at, atleast five-yearly intervals. However, the Corporation performs a fair value assessment on an yearly basis.

As at 31 March 2018, the valuation of the Corporation's land and buildings was performed by Belshane Property Group and the valuation of the generation, transmission and distribution assets was performed by Parsons Brinckerhoff,independent professional valuers. The fair value assessment of land and building was determined based on the market comparable approach which reflects recent transaction prices for similar properties. Since the comparable property sales are not identical to the subject property, adjustments maybe made for the date of sale, location style, amenities, square meters and site size. The fair values of buildings and generation transmission and distribution assets was determined using the replacement cost approach which reflects the cost to the market participant to construct assets of a comparable utility and age, adjusted for obsolescence. The significant inputs include estimated construction costs and other ancillary expenditure and a depreciation factor applied to the estimated construction cost.

As at 31 March 2019, the fair value assessment of the Corporation's land and buildings was performed internally and the fair value assessment of the generation, transmission and distribution assets was performed by AON Risk Management, independent professional valuer. Changes to the fair value of land and buildings have been assessed by considering factors such as inflation, construction material prices, labour price indices, general economic factors and property and construction cost guide and concluded that the market movements over the past 12 months are negligible. Changes to the fair value of generation transmission and distribution assets as at 31 March 2019 have been determined using replacement cost approach (appropiate inflation and other adjustments to the cost of individual assets over past 12 months). As a result an upward adjustment of P87 million was recognised on generation, transmission and distribution assets.

There has been no change to the valuation technique during the year. The following table analyses the non-financial assets carried at fair value, by revaluation 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 included within level 1 that are observable for the asset or liability either directly or indirectly (Level 2)
- Inputs for the asset and liability that are not based on observable market-date (Level 3)

	Fair value measurement at 31 March 2019			
	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total fair value P'000
Land and buildings	-	-	699,411	699,411
Generation transmission and distribution assets	-	-	15,060,299	15,060,299

There were no transfers between levels during the year.

	Fair value measurement at 31 March 2018			
	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total fair value P'000
Land and buildings	-	-	707,098	707,098
Generation transmission and distribution assets	-	-	15,206,690	15,206,690

There were no transfers between levels during the year.

The Corporation does not have any property,plant and equipment pledged as security for borrowings.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	2019 P'000	2018 P'000
13. FUTURE COAL SUPPLIES		
Balance at beginning of year	40,061	60,092
Amortisation during the year	(20,031)	(20,031)
Balance at end of year	20,030	40,061
Comprising of:		
Current portion	20,030	20,031
Non-current portion	-	20,030
	20,030	40,061

The Corporation entered into a revised coal supply agreement with Morupule Coal Mine on 28 April 2010 to align with the coal requirements of the Morupule B Power Station. In accordance with this Coal Supply Agreement, the coal price has three components to the coal charges which are capital charge, fixed charge and variable charge. The capital and fixed charges are payable to the supplier irrespective of the quantity of coal off take by the Corporation. During the period June 2011 to December 2011 the Corporation did not take up any coal due to construction delays experienced at the Morupule B Power Station. Capital and fixed charge payments for this period amounting to P182,985,000 were made and deferred in the statement of financial position within future coal supply. These costs are being amortised over a period of eight years against the cost of coal supplied on the basis of the estimated annual tonnages and actual tonnes delivered.

	2019 P'000	2018 P'000
14. INVESTMENTS AT AMORTISED COST		
Deposits with local banks	1,250,025	555,087
Deposits with foreign banks	25,931	23,993
	1,275,956	579,080
Current portion	(1,250,025)	(555,087)
Long-term portion	**25,931**	**23,993**

Investments held-to-maturity are classified as non-current assets, except for maturities within 12 months of the statement of financial position date which are classified as current assets. The current portion of the investments held-to-maturity comprises fixed deposits with local banks which earn interest at rates ranging from 1% to 6% (2018: 2 % to 6%). These fixed deposits are invested for periods ranging from 7 to 91 days (2018: 7 to 91 days).The long term portion of the deposits with foreign banks have been placed to match the foreign currency exposure on certain of the Corporation's foreign borrowings as per Note 29.

The deposits denominated in foreign currency are as follows:

	2019	2018
US dollar ($000)	**35,131**	**2,748**

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	2019 P'000	2018 P'000
15. BANK BALANCES		
Bank Balances	289,821	175,600
	289,821	**175,600**
16. CONSUMER LOANS - HIRE PURCHASE SCHEME		
16.1 Long-term portion		
Hire purchase scheme	109,574	90,124
Less: Short-term portion	(13,333)	(7,533)
Less: Loss allowance	(96,241)	(82,591)
	-	-
16.2 Short-term portion		
Hire purchase short-term portion	13,333	7,533
Less: Loss allowance	-	-
	13,333	**7,533**
Total	**13,333**	**7,533**

Consumer loans represent outstanding balances under the deferred repayment scheme for the cost of capital connections payable by consumers in urban areas over periods of up to 180 months. Terms of payment are agreed with each respective customer.

Loans which are repayable within 18 months are interest free. Loans over longer periods bear interest which is linked to the Barclays Bank of Botswana Limited prime lending rate, which at the end of the year was 6.5% (2018:6.5:%).

16.3 Movement in the loss allowance for hire purchase scheme receivables		
Balance at beginning of year	82,591	100,668
Adjustment to opening balance due to adoption of IFRS 9 transition	(2,963)	-
Charge/(release) for the year	16,613	(18,077)
Balance at end of year	**96,241**	**82,591**

Credit risk is spread over numerous consumers located in urban areas. In determining the recoverability of the consumer loans, the Corporation considers any change in the credit quality in accordance of IFRS 9 impairment requirements of the consumer loans receivable from the date credit was initially granted up to the reporting date. The Members of the Board believe that there is no further credit provision required in excess of the loss allowance.

No any balances written-off during the year.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

16. CONSUMER LOANS - HIRE PURCHASE SCHEME (continued)

16.4 Gross carrying values and loss allowance

	31 March 2019			31 March 2018		
	Gross Carrying Value P'000	Loss allowance P'000	Net Carrying Value P'000	Gross Carrying Value P'000	Loss allowance P'000	Net Carrying Value P'000
Not past due	9,539	(2,879)	6,661	7,182	-	7,182
Past Due 30 days	7,101	(2,412)	4,690	5,640	(5,288)	352
Past Due 60 days	3,554	(1,985)	1,569	4,886	(4,886)	-
Past Due 90 days	2,649	(2,236)	413	1,169	(1,169)	-
Past Due > 365 Days	86,730	(86,730)	-	71,247	(71,247)	-
Total	**109,574**	**(96,241)**	**13,333**	**90,124**	**(82,591)**	**7,533**

	2019 P'000	2018 P'000
17. CONSUMER LOANS - RURAL COLLECTIVE SCHEME		
17.1 Long term Rural Collective Scheme	100,137	100,137
Less: Advance from Government	(100,137)	(100,137)
	-	-
17.2 Short term Rural Collective Scheme	15,703	19,829
Less: Advance from Government	(103,698)	(103,698)
	(87,995)	(83,869)
Total Government Revolving Fund	(87,995)	(83,869)

Rural Collective Scheme is a Government revolving fund established to provide rural consumers with access to electricity. The scheme is guaranteed by the Government. Loans which are repayable within a period of 18 months are interest free. Loans over longer periods bear interest which is linked to the Barclays Bank of Botswana Limited prime lending rate which at the end of the year was 6.5% (2018: 6.5%).

18. STANDARD COST RECOVERY

Total standard cost	(86,672)	(86,672)

The amount represents an under-recovery of connection costs for customers, within the corridor of standard cost of the Rural Electrification funded by the Government. Ordinarily, this amount is recoverable from connection of future customers who will pay more than the actual cost of the connection due to their proximity to the already set up connection. However, in the past financial years, this balance has been less likely to be recoverable in this manner due to the increasing cost of raw materials not matched by revised standard charges to the customer, which were determined by the Government in the prior years. Pursuant to the recovery of these amounts, management sought reimbursement from the Government in the prior years. The amount paid by Government is now being treated as government revolving fund. Standard cost scheme has now been replaced by NESC as disclosed under note 19 and 20.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	2019 P'000	2018 P'000
19. STANDARD COST RECOVERY - NESC		
Refunds due from the National Electrification Standard Connection Cost Fund		
	276,752	**313,825**

With effect from 1 October 2010, the Government introduced the National Electricity Standard Connection Cost (NESC) in selected rural and semi-urban areas. Participants of this scheme pay a standard charge of P5,000 for a connection. The difference between this standard charge and the actual cost incurred by the Corporation is claimable from the National Electrification Standard Connection Cost Fund. This fund is established from P0.05 (5thebe) levied to customers for every KWh billed.

	2019 P'000	2018 P'000
20. CONSUMER LOANS - NESC		
Consumer loans - NESC	99,176	91,521
Less: Loss allowance	(84,933)	(81,332)
	14,243	**10,189**

This balance comprises amounts owing from customers for their contribution under the NESC Scheme referred to in Note 19. The customer's electricity connection cost is a standard charge of P5,000 and any short fall is funded from the NESC fund. 5% of the P5,000 is payable by the customer up front and the balance is payable over a period of up to 18 months. Balances repayable within 6 months are interest free and loans over longer periods bear interest which is linked to the Barclays Bank of Botswana Limited prime lending rate, which at the end of the year was 6.5% (2018: 6.5%). Provision has been made on all accounts that defaulted on instalments plans after year end as evidence of default.

	2019 P'000	2018 P'000
20.1 Movement in the loss allowance for consumer loans NESC		
Balance at beginning of year	81,332	85,890
Adjustment to opening balance due to adoption of IFRS 9 transition	47	-
Charge/(release) for the year	3,554	(4,558)
Balance at end of year	**84,933**	**81,332**

Credit risk is spread over numerous consumers located in rural areas. In determining the recoverability of the consumer loans, the Corporation considers any change in the credit quality in accordance of IFRS 9 impairment requirements of the consumer loans receivable from the date credit was initially granted up to the reporting date. The Members of the Board believe that there is no further credit provision required in excess of the loss allowance.

No any balances written-off during the year.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

20. CONSUMER LOANS - NESC (continued)

20.2 Gross carrying values and loss allowance

	31 March 2019			31 March 2018		
	Gross Carrying Value P'000	Loss allowance P'000	Net Carrying Value P'000	Gross Carrying Value P'000	Loss allowance P'000	Net Carrying Value P'000
Not past due	14,886	(1,434)	13,452	15,112	(4,923)	10,189
Past Due 30 days	3,616	(2,882)	733	1,702	(1,702)	-
Past Due 60 days	2,075	(1,814)	261	1,624	(1,624)	-
Past Due 90 days	1,522	(1,449)	73	947	(947)	-
Past Due > 365 Days	77,076	(77,353)	(277)	72,135	(72,135)	-
Total	**99,176**	**(84,933)**	**14,243**	**91,521**	**(81,331)**	**10,189**

	2019 P'000	2018 P'000
21. INVENTORIES		
Coal and fuel	264,111	185,934
Maintenance spares and materials	213,311	181,615
Cost	243,211	231,479
Allowance for obsolete stock	(29,900)	(49,864)
	477,422	**367,549**

"The cost of inventories recognised as an expense during the year was P40,068,355 (2018: P211,052,000)."

22. TRADE AND OTHER RECEIVABLES

	2019 P'000	2018 P'000
Electricity sales receivables:	174,218	119,872
Mining	17,714	83,519
Commercial	204,158	147,327
Domestic	30,150	18,243
Government related entities	77,059	83,860
Unallocated Receipts	(29,551)	(16,596)
Less: Loss allowance on electricity sales receivables	(125,312)	(196,480)
Small works contractors receivables:	69,854	118,578
Gross receivables from small works contractors	77,417	131,580
Less: Loss allowance on small works contractors receivables	(7,563)	(13,002)
VAT receivable	17,994	74,552
Southern African Power Pool	24,972	5,530
Other receivables	33,403	28,246
	320,442	**346,778**

The average credit period on sale of electricity is 41 days (2018: 56 days).

Fair value of the trade and other receivables to approximate their carrying amounts.

The Corporation holds bank guarantees as security against certain of these receivables to the value of P18,954,497 (2018: P19,275,497). In addition, where customers do not have a bank guarantee, they are required to pay a deposit equivalent to two months worth of their estimated consumption before being connected with electricity supply. The value of the deposits held by the Corporation is disclosed per note 30.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

22. TRADE AND OTHER RECEIVABLES (Continued)

22.1 Movement in loss allowance - trade receivables

	Small works contractors receivables		Electricity sales receivables	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
Balance at beginning of year	13,002	13,767	196,480	191,815
Adjustment to opening balance due to adoption of IFRS 9 transition	(4,674)	-	(89,394)	-
Current year (reversal)/provision	(765)	(765)	18,226	4,665
Balance at end year	7,563	13,002	125,312	196,480

No any balances written-off during the year.

In determining the recoverability of trade receivable, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Members of the Board believe that there is no further credit provision required in respect of Expected Credit Losses ("ECL")

Expected Credit Loss ("ECL") has been assessed by grouping customers with shared credit risk characteristics and days past due. Accordingly, electricity sales receivable balances are segmented as follows. No segmentation is required in relation to small works contractors receivables.

	31 March 2019				
	Mining P'000	Commercial P'000	Domestic P'000	Government P'000	Total P'000
Balance at beginning of year	7,777	96,752	25,803	66,149	196,480
Adjustment to opening balance due to adoption of IFRS 9 transition	(571)	(43,137)	(830)	(44,856)	(89,394)
Charge/(release) for the year	1,038	14,555	933	1,700	18,226
Balance at end year	**8,243**	**68,170**	**25,906**	**22,993**	**125,312**

	31 March 2018				
	Mining P'000	Commercial P'000	Domestic P'000	Government P'000	Total P'000
Balance at beginning of year	7,004	106,627	28,443	49,741	191,815
Charge/(release) for the year	773	(9,876)	(2,640)	16,408	4,665
Balance at end year	**7,777**	**96,751**	**25,803**	**66,149**	**196,480**

Balances due from government related entities are from the normal course of business. The impairment provision includes P 22.9 Mn (2018: P66.2 Mn) in respect of government related entities and no amounts have been written off during the year.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

22. TRADE AND OTHER RECEIVABLES (Continued)

22.2 Gross carrying values and loss allowance

31 March 2019	Mining			Commercial			Domestic			Government			Small Works Contractors		
	Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Not past due	7,104	(18)	7,086	98,942	(1,486)	97,456	825	(220)	605	39,045	(621)	38,424	47,748	(380)	47,368
Past Due 30 days	3,607	(1,221)	2,385	14,716	(199)	14,517	304	(86)	218	6,090	(66)	6,024	7,971	(63)	7,908
Past Due 60 days	-	-	-	7,450	(149)	7,301	177	(46)	131	3,035	(53)	2,982	4,026	(32)	3,994
Past Due 90 days	-	-	-	16,790	(1,077)	15,713	871	-	871	2,647	(477)	2,170	10,223	(83)	10,140
Past Due > 365 Days	7,004	(7,004)	-	66,260	(65,259)	1,001	27,973	(25,554)	2,419	26,242	(21,776)	4,466	7,449	(7,005)	444
Totals	**17,714**	**(8,243)**	**9,471**	**204,158**	**(68,170)**	**135,988**	**30,150**	**(25,906)**	**4,244**	**77,059**	**(22,993)**	**54,066**	**77,417**	**(7,563)**	**69,854**

31 March 2018	Mining			Commercial			Domestic			Government			Small Works Contractors		
	Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Not past due	76,500	(758)	75,742	81,738	-	81,738	179	-	179	44,493	(16,211)	28,282	80,560	-	80,560
Past Due 30 days	15	(15)	-	13,149	(6,921)	6,228	308	-	308	9,038	-	9,038	25,073	-	25,073
Past Due 60 days	-	-	-	6,269	(6,269)	-	99	-	99	5,316	(5,316)	-	10,406	-	10,406
Past Due 90 days	-	-	-	14,061	(14,061)	-	678	(678)	-	10,495	(10,495)	-	11,559	(9,019)	2,540
Past Due > 365 Days	7,004	(7,004)	-	69,500	(69,500)	-	25,125	(25,125)	-	34,127	(34,127)	-	3,983	(3,983)	-
Totals	**83,519**	**(7,777)**	**75,742**	**147,327**	**(96,751)**	**87,966**	**26,389**	**(25,803)**	**586**	**83,860**	**(66,149)**	**37,319**	**131,580**	**(13,002)**	**118,578**

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

22. TRADE AND OTHER RECEIVABLES (Continued)

22.3 Key inputs and sensitivities

Trade Receivables

Expected loss rates are determined based on historical losses adjusted to reflect current and forward looking macroeconomic factors, where relevant, affecting the customer's ability to settle the outstanding amount. For trade receivable, 4 years historical data are used to determine the historical loss rate as it was deemed reasonable. On average, there was no material differences culminating from this choice as indicated in the sensitivity analysis below:

Trade Receivables	4 years Average (Actual Used) P'000	3 years Average (2017,2018 & 2019) P'000	2 years Average (2018 & 2019) P'000	1 year P'000
Mining	8,243	8,230	8,233	8,225
Commercial	68,170	66,627	66,730	66,633
Government	25,906	25,906	27,338	25,563
Domestic	22,993	22,593	26,280	22,478
Small Works Contractors	7,563	7,005	7,005	7,005
Grand Total	**132,875**	**130,361**	**135,587**	**129,904**
Variance in loss allowance		(2,514)	2,712	(2,971)
Variance as % of loss allowance		-1.9%	2.0%	-2.2%

In relation to forward looking macroeconomic factors, consideration was made based on country's GDP and it is assessed to be stable. As a result, the impact of macro economic factors is considered to be not significant. Further, due to short term nature of receivable, it is anticipated that no significant changes impacting credit losses will occur in the short term.

Consumer loans

For consumer loans, 1 year historical data was used to determine the historical default rate as no reliable data was available for the period beyond. On average, there was no material differences culminating from this choice as indicated in the sensitivity analysis below:

Consumer Loans	1 year (Actual Used) P'000	2 years Average (2018 & 2019) P'000	3 years Average (2017,2018 & 2019) P'000
Consumer Loans- Hire Purchase	96,241	96,324	96,074
Variance in loss allowance		83	(167)
Variance as % of loss allowance		0.0	-0.2%
	P'000	**P'000**	**P'000**
Consumer Loans- NESC	84,933	84,885	85,003
Variance in loss allowance		(48)	70
Variance as % of loss allowance		-0.1%	0.0

In relation to forward looking macroeconomic factors, consideration was made based on country's GDP and it is assessed to be stable. As a result, the impact of macro economic factors is considered to be not significant. Further, due to majority of consumer loans are already in default category(balances in non-default category is not material), it is anticipated that no significant changes impacting credit losses.

Post defaults recoveries are insignificant and therefore LGD is considered to be 100%.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	2019 P'000	2018 P'000
23. IRREDEEMABLE CAPITAL		
Balance at beginning of year	7,853,800	6,368,472
Contribution received during the year	767,276	1,485,328
Government of Botswana Funding Rakola and Northwest Transmission projects	767,276	402,000
Government of Botswana Funding Morupule A	-	878,328
Village electrification and network extension		205,000
Balance at end of year	**8,621,076**	**7,853,800**

Irredeemable capital comprises contributions received from the Government of Republic of Botswana in respect of its obligations as the owner of the Corporation in terms of the Botswana Power Corporation Act (74:01).

Morupule A refurbishment is fully funded by the Republic of Botswana as equity injection.

24. REVALUATION RESERVE

Balance at beginning of year and end of year	**4,204,844**	**4,130,624**

The properties revaluation reserve arises on the revaluation of land and buildings, generation, transmission and distribution assets.

25. OTHER RESERVES

Balance at beginning and end of year	**1,803,087**	**1,803,087**

The purpose of this reserve is to complement the funding requirements for capital expenditure for the Corporation's expansion program.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	2019 P'000	2018 P'000
26. GOVERNMENT GRANT AND ADVANCES		
Balance at the beginning	73,194	73,194
Transfers to Advances - Consumers financed Project	(73,194)	-
Government grant and advances	-	73,194
Short term portion	-	73,194
Long term portion	-	-
	-	73,194

This advance was received from Government in respect of Ministry of Agriculture projects and was classified as Government grant for Corporation's transmission projects. However, this is an advance towards consumer financed project, thus reclassified accordingly. There's no any impact to the income statement.

27. DEFERRED INCOME - CONSUMER FINANCED PROJECTS

	2019 P'000	2018 P'000
Balance at beginning of the year	2,726,646	2,485,132
Additions	35,170	318,915
Amortisation	(89,166)	(77,401)
Balance at the end of the year	**2,672,650**	**2,726,646**

Deferred income comprises the value of items of property, plant and equipment financed by customers. Deferred income is amortised to the statement of comprehensive income over the useful life of the related items of property, plant and equipment.

28. DEFERRED TAX LIABILITY

The movement on the deferred tax asset/(liability) is as follows:

	2019 P'000	2018 P'000
Balance at beginning of the year	(266,734)	39,103
(Charge)/credit to the income statement for the year (note 11)	(40,358)	(143,983)
On gain on revaluation of land and buildings and generation, transmission and distribution assets	(13,098)	(161,854)
Balance at end of the year	(320,190)	(266,734)
Comprising:		
Property, plant and equipment	(661,957)	(474,145)
Deferred income - Consumer Financed Projects	(35,424)	(95,301)
Fair value loss on currency and interest rate swap	74,667	85,615
Unrealised exchange gain	112,195	112,690
Others	(16,134)	(5,975)
Tax losses	206,463	110,382
	(320,190)	(266,734)

Assessed/assessable tax loss as at 31 March 2019 is P 1.376 billion (2018: P 756 Mn) and Corporation has recognised deferred tax asset on tax losses as management believes that the Corporation will generate adequate taxable income in future before the tax losses fall away.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	Current		Non-current	
	2019 P'000	**2018 P'000**	**2019 P'000**	**2018 P'000**
29. BORROWINGS				
Borrowings at amortised cost				
Government of the Republic of Botswana (funded by Nordic Development Fund)	2,436	2,258	29,229	30,735
Industrial and Commercial Bank of China	489,828	434,262	4,871,800	4,752,236
	492,264	**436,520**	**4,901,029**	**4,782,971**
Currency analysis of borrowings				
Foreign currency denominated			5,393,293	5,219,491
Total borrowings			**5,393,293**	**5,219,491**
		Interest Rate per annum		
Government of the Republic of Botswana (funded by Nordic Development Fund)		3.00%	31,665	32,993
Industrial and Commercial Bank of China		Libor+ 160bps	5,361,628	5,186,498
			5,393,293	**5,219,491**
The borrowings are repayable as follows				
Up to 1 year			492,264	436,520
2 - 5 years			1,969,056	1,746,080
Later than 5 years			2,931,973	3,036,891
Total			**5,393,293**	**5,219,491**

The Government of Republic of Botswana (funded by Nordic Development Fund) loan is repayable in biannual instalments with the last payment date in 2031. The loan is matched to foreign deposits placed with foreign banks made by the Corporation as disclosed in note 14.

The Industrial and Commercial Bank of China loan is repayable in biannual instalments over a 20 year period. The loan is hedged per the hedging arrangement disclosed in note 34.

Movement during the year is as follows:

	2019 P'000	**2018 P'000**
Balance at beginning of the year	5,219,491	6,215,308
Repayments	(574,166)	(360,474)
Exchange loss/(gain) on borrowings	747,968	(635,343)
Balance at end of the year	**5,393,293**	**5,219,491**

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	2019 P'000	2018 P'000
30. CONSUMER DEPOSITS		
Consumer deposits-non current	80,118	78,967
Consumer deposits refunds-current	2,752	3,020
	82,870	**81,987**

Consumer deposits comprise amounts received from customers held as security against failure to settle accounts. These ordinarily represent two months estimated electricity consumption by customers and are refundable on closing the customer account after applying it to any amount outstanding then.

31. TRADE AND OTHER PAYABLES

	2019 P'000	2018 P'000
Trade payables and accruals	461,021	622,300
National Electricity Standard Cost levy payable to Government of Botswana	65,420	105,256
Reclassification from Accounts Receivable to Accounts Payable	79,536	-
Debt Service Reserve Account funded by Government of Botswana to comply with ICBC loan covenants	300,000	-
Contract Liability	27,773	24,821
Interest on borrowings	12,190	10,674
Payroll related accruals	43,946	49,820
Retentions	864,151	746,530
	1,854,037	**1,559,401**

The average credit period on purchases from most suppliers is 30 days. No interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged at varying rates of interest per annum on the outstanding balance. The Corporation has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The directors deem the fair value of the trade and other payables to approximate their carrying amounts.

Contract Liability relates to prepaid electricity not used up by customers at as year end.

According to ICBC Loan convenants, the Corporation is required to keep a Debt Service Reserve Account equivalent to one instalment of the loan (September 2018) amounting USD33 million. Government of Republic of Botswana funded the account with P300 million while Botswana Power Corporation paid the balance of P48 million.

32. ADVANCES - CONSUMER FINANCED PROJECTS

	2019 P'000	2018 P'000
Advances received from customers	**1,386,640**	**954,040**

These are funds received in advance from customers for electricity connections and capacity modifications. The amounts are interest free and are expected to be expended during the normal course of the Corporation's business.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

33. PROVISIONS	Coal off-take penalty P'000	Litigation claims P'000	Gratuity P'000	Early Exit package P'000	Total P'000
Balance at 31 March 2017	106,704	26,315	9,193	167,929	310,141
Provisions raised/reversed	(88,897)	19,726	1,957	184,345	117,131
Payments made during the year	-	(1,578)	(2,818)	(186,903)	(191,299)
Balance at 31 March 2018	**17,807**	**45,573**	**8,332**	**165,371**	**237,083**
Provisions raised/reversed	12,131	18,440	14,826	138	45,535
Payments made during the year	-	(350)	(15,599)	(121,128)	(137,077)
Balance at 31 March 2019	**29,938**	**63,663**	**7,559**	**44,381**	**145,541**

Coal off-take penalty

In the current year the Corporation re-negotiated the coal off-take from Morupule Coal Mine Limited for the period four year up to December 2020. In terms of the revised contract, should the Corporation fail to take an average annual delivery to a maximum of 1.8 million metric tonnes of coal during the four year period, penalties would be charged to the Corporation for the difference between the actual off-take and 1.8 million metric tonnes. The estimated coal offtake penalty may vary as a result of the actual annual performance of the plants.

Litigation claims provision

The provision represents claims under employee disputes and claims for public liability. The amounts represents the directors best estimate of future outflows of economic benefits that will be required under the Corporations obligation for legal claims. The estimate has been based on the basis of historical claims trends and may vary as a result of and other issues affecting public liability. It is expected to be utilised in the future.

Gratuity provision

Gratuity provision is recognised in respect of contractual obligations with contract employees, to pay a certain percentage of their remuneration package as a lump sum at the end of their contracts. The gratuity is payable at the earlier of termination of contract or expiry of employment contract.

Early exit package

As part of costs rationalisation, the Corporation has initiated a voluntary early exit exercise which has been approved by the Board of Directors for an amount of P165 million as the estimated cost of separation. During the year under review P121 million was utilised and the remaining P44 million to be utilised in the next financial year.

	2019 P'000	2018 P'000
34. OTHER FINANCIAL ASSETS AT FAIR VALUE		
Financial assets carried at fair value through profit or loss (FVTPL)		
Balance at beginning of the year	418,163	1,099,211
Unrealised fair value gain/(loss) on the cross currency and interest rate swap	437,062	(681,048)
Balance at end of the year	**855,225**	**418,163**

To reduce the fair value risk of changing interest rates and foreign currency exchange rates on the loan from Industrial and Commercial Bank of China (ICBC), the Corporation entered into a pay fixed interest rate and receive floating interest rate hedging arrangement with Standard Bank Plc. The swap matures every six months starting on 15 January 2010. The swap is made up of a basket of notional currencies on which interest is calculated on the predetermined notional currency amounts at a fixed interest rate and converted to Botswana pula at the exchange rate ruling two days before the settlement date. The Corporation receives in United States Dollars (USD) an amount calculated on the hedged amount based on the 6 month USD Libor +1.60%. This amount is received in USD and is calculated based on the same rate charged on the loan from ICBC.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

34. OTHER FINANCIAL ASSETS AT FAIR VALUE (continued)

The USD amount hedged is converted to the basket of notional currencies based on the following percentages and also attracts interest at the percentages shown below.

	Fixed interest rate		Basket currency split	
	2019	2018	2019	2018
	%	%	%	%
South African Rands	9.77	9.77	45	45
United States Dollars	4.09	4.09	23	23
Euro	4.87	4.87	17	17
British Pound	4.78	4.78	4	4
Chinese Yuan	4.40	4.40	7	7
Japanese Yen	4.22	4.22	4	4
			100	100

The hedged amount is pegged in USD for the hedging bank, Standard Bank plc. This amount is determined at the beginning of every six months based on the estimated drawdown on the USD 825 million loan facility with the ICBC. At statement of financial position date the hedged amount and the loan from ICBC were as follows:

	2019	2018	2019	2018
	USD'000	USD'000	P'000	P'000
Notional hedged amount	497,559	493,755	5,361,627	5,226,460
Loan balance (Note 28)	(497,559)	(493,755)	(5,361,627)	(5,226,460)
Over hedged amount	-	-	-	-

35. COMMITMENTS

35.1 Capital commitments

Authorised but not contracted	1,443,258	2,239,787
Authorised and contracted	47,000	430,367
	1,490,258	**2,670,154**

The Corporation will finance the above expenditure through internal funds and Government funding.

35.2 Operating lease commitments

Operating leases relate to leases land and buildings with lease terms between 2 and 10 years. All operating lease contracts contain clauses for market rental reviews. The Corporation does not have an option to purchase the leased land and buildings at the expiry of the lease period.

The future aggregate minimum lease payments under operating lease agreements are as follows:

Within one year	4,444	4,439
Later than one year but not later than 5 years	20,110	20,091
	24,554	**24,530**

35.3 Operations and maintenance contract

The Corporation entered into a contract for the operations and maintenance of its power station for a period of 4 years.

Within one year	95,960	421,729
Later than one year but not later than 5 years	304,800	68,374
	400,760	**490,103**

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	2019 P'000	2018 P'000
36 NOTE TO THE STATEMENT OF CASH FLOWS		
Cash generated from operations:		
Profit before tax	242,475	818,511
Interest received	(26,994)	(16,539)
Interest paid	275,055	239,654
	490,536	**1,041,626**
Adjustments for non-cash items:		
Depreciation of property, plant and equipment (Note 12)	525,584	477,449
Reclassification of maintenance expenses from opening balance	7,683	8,100
Fair value gain/(loss) on cross currency and interest rate swap (Note 10)	(511,812)	751,264
Amortisation of Government grant	-	(1,822)
Amortisation of deferred income - consumer finance projects (Note 27)	(89,166)	(77,401)
Amortisation of future coal supplies (Note 13)	20,031	20,031
Unrealised exchange gain/loss on borrowings (Note 9.2)	747,968	(635,343)
Movement in provisions	(91,542)	(73,059)
Profit on disposal of property, plant and equipment	(754)	(2,732)
	1,098,528	**1,508,113**
Working capital changes:		
(Increase)/decrease in standard cost recovery - NESC	37,073	(33,777)
(Increase)/decrease in consumer loans - NESC	(4,101)	(8,028)
(Increase)/decrease in consumer loans - hire purchase scheme	(2,837)	(4,230)
Increase in consumer loans - rural collective scheme	4,126	5,453
(Increase)/decrease in trade and other receivables	120,404	(102,857)
(Increase)/decrease in inventories	(109,873)	(55,067)
(Decrease)/increase in consumer deposits	882	(3,122)
(Decrease)/increase in trade and other payable	294,636	(458,490)
(Decrease)/increase in advances - consumer financed projects	375,581	94,145
	715,891	**(565,973)**
Cash generated from operations	**1,814,419**	**942,140**

37 RETIREMENT BENEFITS

All permanent citizen employees of the Corporation are members of a defined contribution plan operated by independent administrators. This fund is registered under the Pension and Provident Funds Act (Cap 27:03). The Corporation is required to contribute 15% (16% for contributory employees) of the pensionable earnings of the members. The only obligation of the Corporation with respect to the retirement benefit plan is to make the specified contributions.

Contract employees who are not members of the defined contribution plan are entitled to gratuities that are calculated on a percentage of the basic salary over the period of their employment. These are accrued for on a time served basis. The contributions recognised as an expense for the defined contribution benefit plan and the gratuity expense are disclosed per Note 6.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

38. FINANCIAL INSTRUMENTS

38.1 Capital structure

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Corporation's overall funding strategy remains unchanged during the year ended 31 March 2019.

The capital structure of the Corporation consists of debt, which includes the current and non-current liabilities as disclosed on the statement of financial position, cash and cash equivalents disclosed on the statement of cash flows and equity and reserves comprising irredeemable capital, revaluation reserves, other reserves and accumulated losses as disclosed in Notes 23, 24, 25 and the statement of financial position respectively.

	2019 P'000	2018 P'000
Gearing Ratio		
Debt	12,029,888	11,289,123
Cash and cash equivalents	(1,539,846)	(730,681)
Net debt	**10,490,042**	**10,558,442**
Equity	**10,784,690**	**9,644,289**
Net debt to equity ratio (%)	**(97%)**	**(109%)**
38.2 Categories of financial instruments		
Financial assets at amortised cost		
Investments at amortised cost	1,275,956	579,080
Loans and receivables (including cash and cash equivalents)	896,597	756,953
	2,172,553	**1,336,033**
Financial assets held at fair value through profit or loss	**855,225**	**418,163**
Financial liabilities at amortised cost	**8,803,512**	**7,985,467**
Financial liabilities at fair value through profit or loss	-	-

38.3 Financial risk management objectives

The Corporation's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

38.4 Market risk

The Corporation's activities expose it primarily to the financial risk of changes in foreign exchange rates (see 38.5 below) and interest rates (see 38.6) below. The risk of movements in foreign exchange rates is mitigated through.
-maintaining money market investments in currencies that match the foreign loan obligations;
-maintaining foreign currency bank accounts to settle foreign currency obligations; and
-cross currency swaps per note 34

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

38. FINANCIAL INSTRUMENTS (continued)

38.5 Foreign currency risk management

The Corporation undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters through active engagement of bankers to obtain the best available rates in the market and maintaining bank balances in the respective currencies that the Corporation has exposure in. The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
Denominated in the following currencies:				
United States Dollar	5,361,628	5,186,498	41,896	23,993
South African Rand	-	-	483	404
Euro	31,665	32,993	1,508	214
	5,393,293	**5,219,490**	**43,887**	**24,611**

38.5.1 Foreign currency sensitivity analysis

The following table shows the effect of a 0.5% devaluation in the Botswana Pula currency against major currencies. The amount is exact and opposite if the Botswana Pula currency strengthened against major currencies. This sensitivity analysis is based on the year end exposure to foreign currency risk.

	2019 P'000	2018 P'000
Increase in loss for the year	(26,747)	(25,974)

38.6 Interest rate risk management

The Corporation is exposed to interest rate risk as it holds both fixed and floating interest rate financial instruments. The risk is managed by the Corporation by spreading the short term investment portfolio across various financial institutions to maximise returns.

The Corporation's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

38.6.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates based on the history of the movement of the prime lending rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Corporation's:

	2019 P'000	2018 P'000
Loss for the year would increase by	(21,940)	(31,049)

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

38. FINANCIAL INSTRUMENTS (continued)

38.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by obtaining deposits from new customers, guarantees from the bank and continuously monitoring the debtors. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, customers are disconnected until they settle and increase their deposits.

The concentration of credit risk for consumer loans (hire purchase and NESC) and trade accounts receivable, is disclosed on Note 16, 20 and 22. The most significant credit risk concentration of other financial assets are disclosed as follows.

		2019 P'000	2018 P'000
African Alliance	Non-investment grade	12,501	61,634
Stanbic Investment Management Services	Investment grade	42,109	89,453
Barclays Bank of London	Investment grade	25,931	23,993
Bank ABC	Non-investment grade	104,075	150,000
Barclays Bank of Botswana	Investment grade	254,663	74,186
Stanbic Bank Botswana	Investment grade	724,913	152,669
First National Bank Botswana	Investment grade	22,303	66,305
First National Bank Limited (South Africa)	Investment grade	341	1,523
Botswana Investment Fund Management	Non-investment grade	30,659	-
Standard Chartered Bank	Investment grade	278,282	134,935
Bank Gaborone		70,000	-
Total		**1,565,777**	**754,698**

Investment grade are those financial assets rated in one of the four hightest rating categories in line with international rating agencies Non investment grade are those rated in the rest of the rating categories in line with international rating agencies.

38.8 Liquidity risk management

Liquidity risk is the risk of financial loss to the Corporation arising from its inability to fund increase in assets and/or meet obligations as they fall due. The formality and sophistication of the Corporation's liquidity risk management processes reflect the nature, size and complexity of its activities. The Corporation has a thorough understanding of the factors that could give rise to liquidity risk and has put in place mitigating controls. Included in note 38.8.2 is the amount of undrawn facilities that the Corporation has at its disposal to further reduce liquidity risk.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

38. FINANCIAL INSTRUMENTS (continued)

38.8.1 Liquidity risk and interest tables

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Corporation can be required to pay. The table includes only expected gross cash flows.

2019	Up to 1 year P'000	2 to 5 years P'000	more than 5 years P'000	Total P'000
Interest Bearing	720,518	2,525,270	1,142,252	4,388,040
Non-interest bearing	3,418,096	80,118	-	3,498,214
	4,138,614	2,605,388	1,142,252	7,886,254

2018	Up to 1 year P'000	2 to 5 years P'000	more than 5 years P'000	Total P'000
Interest Bearing	580,951	2,210,029	3,418,776	6,209,756
Non-interest bearing	2,687,004	78,967	-	2,765,971
	3,267,955	2,288,996	3,418,776	8,975,726

38.8.2 Facilities

The Corporation has access to the following unutilised financing and overdraft facilities, of P100 million (2018: P100 million). The Corporation also has bonds and guarantees amounting to USD10 million, unsecured import letters of credit amounting to USD10 million, commercial standby letters of credit amounting to USD 2.3 million.

38.9 Fair value measurements

The directors of the Corporation believe that all the carrying amounts of all financial instruments approximate their fair values. The fair value of these financial instruments is determined based on the accounting policy on financial instruments.

38.9.1 Fair value measurements recognised in the statement of financial position

This note provides information about how the Corporation determines the fair values of the various financial assets and financial liabilities.

Fair value of the Corporation's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Corporation's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

The following table gives information about how the fair values of the financial instruments are determined (in particular, the valuation techniques and the inputs used).

Refer to note 12 for fair value of land and building, generation, transmission and distribution assets.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

38. FINANCIAL INSTRUMENTS (continued)

38.9 Fair value measurements (continued)

38.9.1 Fair value measurements recognised in the statement of financial position (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2019 P000	2018 P000				
Cross currency and interest rate swap	Asset - 855,225	Asset - 418,163	Level 3	Discounted cash flow (income approach) valuation technique. Firstly the cross-currency swap is valued on a clean basis excluding credit and debit valuation adjustments (CVA and DVA). The future cash flows of the two legs of the cross currency swap are projected in USD, based on market observable forward exchange rates as far as possible. These cash flows are then discounted using the 3 Month USD Libor swap curve, built from market observable money market instruments, FRA's (forward rate agreements) and swaps. Forward rates are calculated from the USD Libor swap curve to project the expected future 3 Month Libor Rates. Secondly a CVA and DVA adjustment is calculated by applying the default probabilities (PDs), loss-given default (LGDs) estimates and potential future exposures of the deal. The potential future exposure is calculated with the use of Monte-Carlo simulation techniques. The Hull-White single factor model is used to simulate multiple USD interest rate scenarios and Geometric Brownian Motion (GBM) processes are used to simulate multiple exchange rate scenarios.	For the clean valuation: The Botswana pula forward currency rate was unobservable after the four year point requiring an unobservable basis spread adjustment to the interest rate parity relationship used to project the future expected Pula currency rates. For the CVA and DVA valuation adjustment the following inputs were not directly market observable: • The default probabilities and loss given default estimates of the Corporation and Standard Bank plc. • The correlation parameters between the currency pairs and interest rates (short term USD interest rates), • The alpha and sigma parameters in the Hull-White single factor interest rate model.	The higher the Botswana pula currency basis spread the higher the fair value of the asset the higher Standard Bank PLC's default probability and LGD the lower the value of the swap. The higher the Corporation's default probability and LGD the higher the value of the swap. The higher the correlation of the parameters the higher the CVA and DVA adjustments. The higher the alpha parameter the lower the CVA and DVA adjustment. The higher the sigma parameter the higher the CVA and DVA adjustment.

The reconciliation of the level 3 derivative financial instrument is disclosed in note 34.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

	2019 P'000	2018 P'000
39. CONTINGENT LIABILITIES		
39.1 Employee Scheme		
The Corporation has guaranteed the obligations of certain employees under its motor vehicle and residential housing schemes in a total amount of	-	-
39.2 Public liability		
The Corporation is a defendant in various public liability disputes and has disclaimed these liabilities. No provision in relation to these claims have been recognised in the financial statements, as legal advice indicates that it is not probable that a significant liability will arise. The Corporation has no further contingent liabilities.	13,200	45,573

39.3 Claims for delay liquidated damages made under the EPC contract

Under the Engineering Procurement and Construction (""EPC"") Contract the Corporation is permitted to charge the contractor penalties for breach of contract and vice versa. However, the parties are still to finalise the negotiations of the liquidated damages for the late project completion and claims for time extension and costs as well as non-compliances which cannot be remedied. Based on the project status, and the guiding principles assessment, management expects that the EPC Contractor claims will not exceed the Corporation's liquidated damages claims.

40. RELATED PARTY BALANCES AND TRANSACTIONS

The Corporation is 100% owned by the Government of Botswana. Transactions and account balances with the Government of Botswana and government related entities are disclosed in Note 1, Note 7, Note 22, Note 23, Note 26 and Note 31.

	2019 P'000	2018 P'000
Remuneration of key entity personnel:		
Salaries and other short term employee benefits	10,510	12,136
Terminal benefits	4,692	1,183
Board fees	516	778
	15,718	**14,097**

Key entity personnel comprises of executive management as disclosed on Page 1 of the financial statements.

41. REMEDIAL WORKS - MORUPULE B POWER STATION

The reliability of the Morupule B Power Station continues to be impacted by construction and equipment defects which need to be remedied in order to make the plant operate reliably at full capacity. A root cause and gap analysis were subsequently performed by the Corporation on the power station and the defects were, mainly attributable to the construction and equipment defects, notably in the Boiler Fluidised Bed Heat Exchangers (""FBHE"").

The signing of the Amendment Agreement with the EPC contractor on 29 August 2016, to carry out remedial works on the plant, was followed up by the engineering design stage. The engineering design phase took longer than was expected on account of Fluidised Bed Heat Exchangers (FBHE) design issues. The FBHE design issues culminated in the Second Amendment Agreement which is yet to be executed. Consequently, the shut down of the first unit for implementation of the remedials was delayed by more than a year. However, it is now commenced (on 19 June 2019) and the whole remedial works are expected to run for a period of about 4 years (from shutdown of the first unit to completion of the last/fourth unit). A two -year Defects Notification Period will follow the completion of the remedial works.

The costs for remedying defects is borne by the EPC contractor. The Corporation currently holds a retention of USD 58 million and performance security of USD 58 million against the Contractor.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2019

42. COMPLIANCE WITH THE BOTSWANA POWER CORPORATION ACT (CHAPTER 74:01)

In terms of section 17 of the Botswana Power Corporation Act (Chapter 74:01), the Corpration is required to conduct its affairs on sound commercial lines and to produce a net operating income by which a reasonable return can be measured. Inclusive of a consumer tariff subsidy provided by the Government of Republic of Botswana amounting to P800,000,000 (2018: P1,457,000,000), the Corporation has achived an operating profit of P727,979,000 (2018: P1,157,818,000). Thus it has complied with the requirements of the Act.

43. GOING CONCERN

Inclusive of a consumer tariff subsidy of P800,000,000 (2018: P 1,457,000,000) provided by the Government of the Republic of Botswana, the Corporation has recorded an operating profit of P727,979,000 (2018: P1,157,818,000) and profit after tax of P201,921,000 (2018: P674,108,000). However, the Corporation's current liabilities exceed its current assets by P1,393,833,000 (2018: 1,637,213,000)

The Ministry of Mineral Resources, Green Technology and Energy Security has confirmed that it will continue to facilitate and support the Corporations' requests and motivations to Government for cost-efficient tariff as well as, where necessary, support for revenue shortfalls. In pursuit of this commitment, the Government of the Republic of Botswana has allocated P600Mn towards BPC tariff support for the financial year 2019/2020 to meet both the loan obligations and other operating costs as per the revenue requirement gap resulting from the less cost reflective tariffs.

Accordingly, there is no material uncertainty about the corporation's ability to continue as a going concern.

44. EVENTS AFTER THE REPORTING PERIOD

The Members of the Board are not aware of any other matters other than those mentioned above or circumstances arising since the end of the financial year, not otherwise dealt with in these financial statements that would have a significant impact on the financial position of the Corporation or the result of its operations.

NOTES

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