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## Mission & Vision

*Botswana Power Corporation strives, at all times, to generate, transmit, distribute and supply electricity in the most safe, reliable, effective, affordable and environmentally friendly manner to enhance the social and economic well-being of the nation.*

02

BOTSWANA POWER CORPORATION



**We aim**  
**to make Botswana Power Corporation a more effective and efficient service organisation sensitive to the electrical energy needs of the nation.**

**We aim**  
**to increase our electrical connections and thereby improve the social development prospects of all residents of Botswana.**

**We aim**  
**to facilitate economic growth in Botswana by supplying cost effective electrical energy.**

# Vision

## Values

*We strive to satisfy all customer needs with courtesy and integrity.*

*We encourage initiative and responsibility through a continuous learning environment to ensure maximum productivity of our people.*

*We encourage teamwork by effective communication, consultation, openness and respect for one another.*

*We have pride in, and loyalty to our Corporation in achieving our objectives.*



## Board Members



**Mr C M Lekaukau**  
**Chairman of the Board**  
Botswana Telecommunication  
Authority



**Ms E Rakhudu**  
**Vice Chairperson**  
Bank of Botswana



**Mr S M Koontse**  
**Member**  
Advanced Software Technology



**Mr B Sillah**  
**Member**  
BCL Ltd



**Ms A Kgosidintsi**  
**Member**  
Institute of Development  
Management



**Mr S Kapondorah**  
**Member**  
Debswana



**Ms P Kanedi**  
**Member**  
Botswana Meat Commission



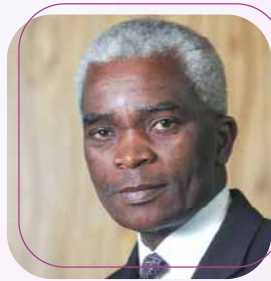
**Mr F Motlathedi**  
**Member**  
Energy Affairs Division



**Ms B Morewagae**  
**Member**  
Ministry of Trade, Industry  
and Tourism



## Management Team



**Mr J T Kaluzi**  
**Acting Chief Executive**  
B. Eng (UNZA), C. Eng,  
MIEE, FEIZ



**Mr B Mmopi**  
**Acting Finance Manager**  
ACIS. ACMA



**Dr J D Sakala**  
**Commercial Manager**  
B.Eng (UNZA), M.Sc. (UMIST)  
PhD. (UMIST), FEIZ, R. Eng



**Mr M Tsamaase**  
**Operations and  
Transmission Manager**  
B.Sc. (Hons) C. Eng, MIEE,  
MBA (UB)



**Mr N J Raleru**  
**Distribution Manager**  
B.Sc. (Elect) (Aston)

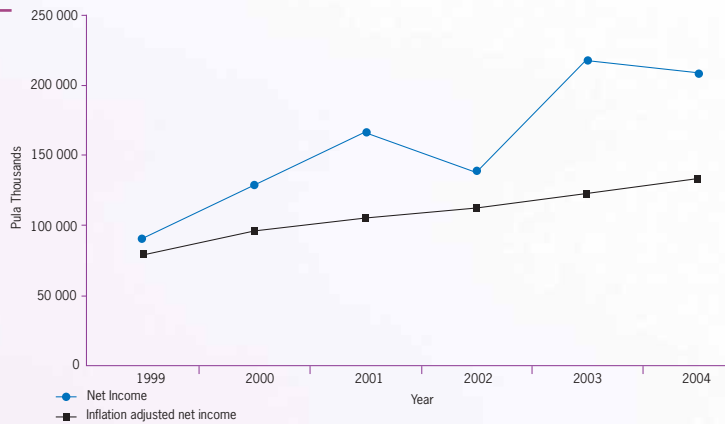


**Mr E N Mooki**  
**Personel and Administration  
Manager**  
B.A Admin. & Politics,  
M.A. Labour & Development

# Financial & Operational Highlights

## Net profit

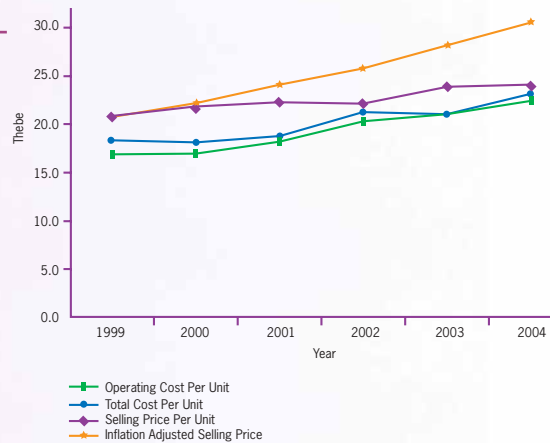
Net profit has decreased by 4.1% in the current year. This decrease in net profit is mainly attributable to escalation of coal costs, staff costs and energy imports.



## Inflation, tariffs and costs

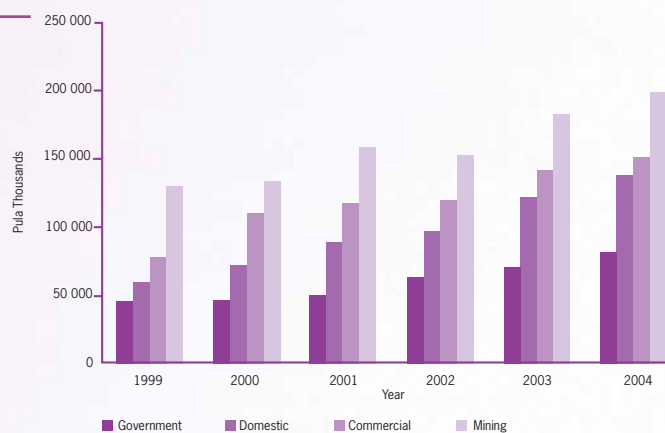
Accumulated inflation for the period March 1999 to March 2004 was 46.2%, versus the accumulated increase in tariff over the same period of 16.0%. In real terms the effective reduction achieved vis-à-vis inflation since March 1999 equate to the following:

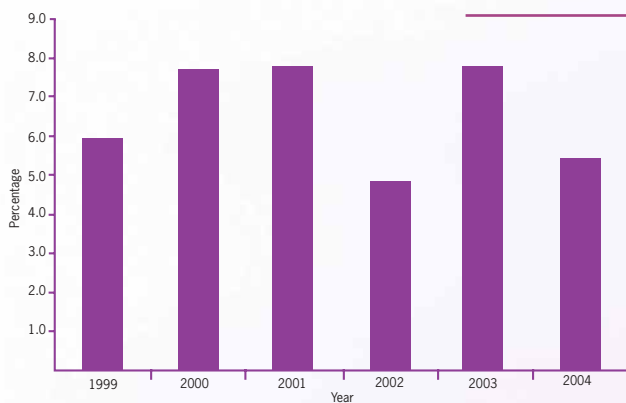
Average unit selling price	21.6%
Operating cost per unit	9.9%
Total cost per unit	13.9%



## Sales

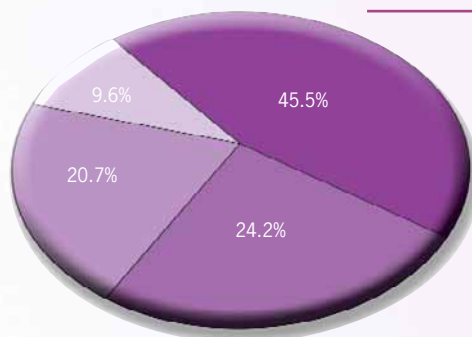
Sales increased by 10.1% in the current year. Sales growth since 1999 was 79.6% of which, 57.7% arose from increase in actual MWh sold.





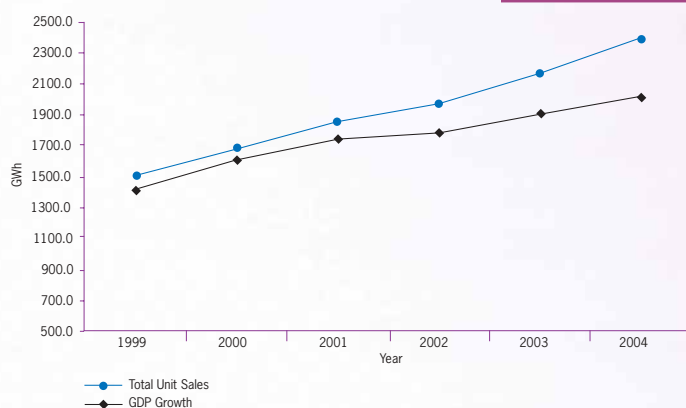
● **Return on revalued property, plant and equipment**

The return on assets decreased by 30.2% this year due to the increase in operating costs.



● **Unit sales by sector**

Sales by sector were:  
 mining 45.5%,  
 commercial 24.2%,  
 domestic 20.7%  
 Government 9.6%



● **Total unit sales**

Increase in unit sales in the current year was 10.1%. Growth from the period March 1999 to March 2004 was 57.7% compared to GDP growth of 33.1% over the same period.

## Vital Statistics

<u>Vital statistics</u>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>Current Year % Increase (Decrease)</b>
Revenue (P'000)	<b>581,855</b>	525,239	436,714	10.8%
Net profit (P'000)	<b>206,006</b>	214,770	135,831	(4.1%)
Return on revalued fixed assets (%)	<b>5.3</b>	7.6	4.8	(29.7%)
Total unit sales (GWh)	<b>2,366</b>	2,150	1,955	10.1%
Total generation (send out) and import (GWh )	<b>2,642</b>	2,435	2,170	8.5%
Head count	<b>2,104</b>	2,086	2,034	0.9%
Total consumers	<b>122,625</b>	108,985	96,961	12.5%
Plant capacity (MW)	<b>132</b>	132	132	-
System maximum demand (MW)	<b>394</b>	360	337	9.4%
Average selling price per unit (Thebe/kWh)	<b>23.6</b>	23.6	21.9	0.0%



## Annual Statistics

	2003/04	2002/03	2001/02	2000/01	1999/00
<b>Income (P'000)</b>					
Revenue	581,855	525,239	436,714	411,885	361,938
Operating profit	66,578	93,216	56,099	87,866	73,958
Net profit	206,006	214,770	135,831	165,335	127,645
<b>Capitalisation (P'000)</b>					
Long term debt	155,506	172,874	209,847	209,709	214,091
Net assets	2,397,126	2,255,219	2,049,976	1,797,065	1,520,497
Capital expenditure and Work in Progress	198,837	130,684	61,883	60,260	79,321
<b>Electricity Source (GWh)</b>					
Morupule	823.1	935.6	1,044.3	1,034.6	1,027.0
Station usage	96.3	105.9	116.0	115.0	115.0
Sent out	726.8	829.7	928.3	919.6	912.0
Purchased	1,915.2	1,605.7	1,241.6	1,123.1	967.9
<b>Total sent out and purchased</b>	<b>2,642.0</b>	<b>2,435.4</b>	<b>2,169.9</b>	<b>2,042.7</b>	<b>1,879.9</b>
<b>Sales disposition (GWh)</b>					
Mining	1077.1	1,001.1	919.6	899.4	759.7
Commercial	572.8	533.1	478.1	462.3	491.8
Domestic	489.4	419.7	370.5	333.6	280.4
Government	227.1	196.2	186.6	147.3	138.8
<b>Total sales (GWh)</b>	<b>2,366.4</b>	<b>2,150.1</b>	<b>1,954.8</b>	<b>1,842.6</b>	<b>1,670.7</b>
Transmission and distribution losses (GWh)	275.6	285.3	215.1	200.1	209.2
System losses (%)	10.4	11.7	9.9	9.8	11.1
<b>Total consumers</b>	<b>122,625</b>	<b>108,985</b>	<b>96,961</b>	<b>86,165</b>	<b>76,380</b>
<b>Sales growth (%)</b>					
Mining	7.6	8.9	2.2	18.4	0.9
Commercial	7.4	11.5	3.4	-6.0	17.4
Domestic	16.6	13.3	11.1	19.0	26.0
Government	15.7	5.1	26.7	6.1	30.3
<b>Total sales growth</b>	<b>10.1</b>	<b>10.0</b>	<b>6.1</b>	<b>10.3</b>	<b>11.3</b>
<b>Average selling price (thebe)</b>	<b>23.6</b>	<b>23.6</b>	<b>21.9</b>	<b>22.4</b>	<b>21.7</b>
<b>Earning ratios (%)</b>					
Net margin	35.4	40.9	31.1	40.1	35.3
Earnings to irredeemable capital	141.5	147.5	93.3	113.5	87.6
Return on total average assets employed	7.1	8.2	5.8	8.1	7.2
Operating profit to revenue	11.4	17.7	12.8	21.3	20.4
Return on property, plant and equipments	5.3	7.6	4.8	7.7	7.7



Since its inception, BPC has been providing households in Botswana with electricity.

## Chairman's Review

**C.M. LEKAUKAU**  
Chairman, Board of Directors



**On behalf of the Botswana Power Corporation Board, I present the Annual Report for the period 1st April 2003 to 31st March 2004.**

The financial year ending 31st March 2004 marked the end of the first year of National Development Plan 9, covering the period 1st April 2003 to 31st March 2009. I find it prudent to quote in full the NDP 9 theme as the new BPC Strategic Plans strive to be in line with it. The NDP 9 theme is "Towards Realisation of Vision 2016: Sustainable and Diversified Development through Competitiveness in Global Markets."

BPC provides  
what every household  
needs on  
a day to day  
basis.



## Challenges

**The year under review was financially and operationally a challenging and difficult one, due to the following.**

- Weakening of the Pula against the Rand culminating in the devaluation of the currency in early February 2004.
- Increase in the price of coal.
- Difficulties in the sourcing of inexpensive power, through bilateral Import Agreements and from Southern African Power Pool's Short Term Energy Market.
- Delay in obtaining approval for a tariff increase.
- Increase in the price of power/energy imports by 14.2% with effect from 1st January 2003
- Prolonged outage of a generator at Morupule Power Station.

All the above mentioned factors coupled with an increase in operating costs, due to the normal inflationary pressures, resulted in a below financial target of 6.5% Return on Revalued Fixed Assets.



BPC contributes to the management of traffic by powering all traffic lights in Botswana.

## Financial Review

**The Corporation's Revenue grew from P525.2 million to P581.9 million constituting a 10.8% increase compared to a 20.3% increase during the 2002/03 financial year.**

As in the previous year, the increase in the revenue is attributed to a load growth of 10.1 %, a 6.0% tariff increase that was effected during the last month of the financial year, and a continued growth in earnings from monies lent out through the Relaxed Repayment Schemes, which now forms a significant business activity.

Meanwhile the operating expenses increased from P444.7 million to P526.7 million constituting 18.4% increase. Significant costs were cost of power/energy imports, employee related costs, depreciation, with major cost drivers being the devaluation of the Pula and the price of coal.

The net effect of increase in Revenue being less than the increase in operating costs was a drop in operating profit by 28.6% and 4.1% drop in net profit.

The significant drop in net profit, thereby failing to meet the set target of 6.5% return on the Revalued Fixed Assets, against an actual performance of 5.3% is a major setback and measures are being put in place to achieve the set target within the next two financial years, by the year ending 31st March 2006.

Key Financial Performance Indicators for the period under review are as shown below:-

Performance Area	Target	Achieved
Return on average total assets	5.8%	7.1%
Return on investments	11.5%	12.4%
Return on Revalued fixed assets	6.5%	5.3%
Cost of borrowing	8.5%	7.0%
Return on equity	6.8%	8.9%

The Key Financial Performance Indicators clearly show that the year under review was, financially, not an easy one characterised by the Corporation achieving below expectations.

Despite the below target financial performance, I am pleased to report that the Corporation's financial position remained relatively healthy. However, there is an urgent need to ensure that financial targets are met by latest 31st March 2006.

BPC employs over 2000 employees throughout Botswana.





## Vision 2016

**I am pleased to advise that the Corporation continued to strive to positively contribute towards the achievement of the 7 Pillars, as enshrined in the Vision.**

In this regard, deliberate and conscious decisions were made to align the Corporation's programmes and activities towards the attainment of the Pillars. Furthermore, it continued to get involved in activities meant to sell the vision to the general populace.

Energy, as stated in Vision 2016, is a prerequisite for successful industrialisation. The Corporation, in this regard, has to re-invest part of its cash surpluses in the electricity network in its quest to deliver a reliable and good quality supply. It is against such a background that the Corporation proceeded to invest P343.4 million in electricity infrastructure. Provision of a reliable, affordable and good quality supply has been, is now and will always be some of the Corporation's main objectives, as it strives to provide an environment that contributes positively to the attraction of Foreign Direct Investment.



Learning about electricity in schools is part of the curriculum in Botswana.



## Regional Cooperation

**The fact that more than 70% of the country's power/energy requirements were met through imports from the Southern African Power Pool utilities is a clear testimony that the Corporation is a very active member of the Southern African Power Pool.**

By sourcing power from the region, the tariffs have hitherto been kept relatively low; through the deferring of investments whilst building up the reserves for future generation expansion.

The Botswana Power Corporation continued to participate actively in the Southern African Power Pool (S.A.P.P.) activities. BPC continued to trade in the power pool, support the transformation of SAPP to a competitive power pool and the general restructuring of SAPP utilities.

The Corporation hosted the 22nd SAPP Subcommittee and Management Committee meetings in February 2004.

I am pleased to advise that a two hundred and sixty kilometer 132kV line from Namibiato feed Ghanzi thereby replacing the expensive diesel generation is underway and is expected to be completed in December 2004 at an estimated cost of P36 million.

Whereas little progress was made in the initiative undertaken by the National Utilities of Angola, Botswana, Democratic Republic of Congo, Namibia and Republic of South Africa to harness waters of the Congo River by putting up infrastructure to bring in 3,500 Megawatts from the Inga III site, the Project is awaiting approval from the Governments of Angola and Democratic Republic of the Congo. It is envisaged that the Inter-Governmental Memorandum of Understanding will be signed before the end of 2004 paving the way for the formation of Western Power Corridor (Westcor) Company.

BPC offers regular training to its employees



## Electricity Supply Industry (ESI) Restructuring

**Whereas the Government is as yet to make a decision on a way forward, in as far as restructuring of the Electricity Supply Industry is concerned, the Board has decided to proceed with the restructuring of BPC in the form of setting up Strategic Business Units.**

Furthermore, during the period under review, a General Management Audit was undertaken which will also be an input in the restructuring exercise. A new BPC structure, which is meant to achieve a discernible improvement to the operational efficiency by making BPC more responsive to the needs of the customer, should be in place by November 2004. The restructuring will also prepare the Corporation for possible deregulation of the Electricity Supply Industry. The exercise, therefore, is meant to facilitate the Corporation in achieving its new strategic direction of shaping and adapting to the future, through among other things improved operational efficiency.

## Executive Management

**As reported last year, good progress was made in filling up Executive Management positions.**

The remaining positions of Chief Executive and Financial Manager will be filled during the next financial year. With major challenges that are facing the Corporation, an all out effort is being made to recruit the best candidates that are available in the market.



BPC Customer Service Centres were introduced to improve service delivery

## Conclusion

**The period under review was both financially and technically a difficult one.**

The challenge of providing the country with reliable, affordable and good quality supply against a backdrop of ever reducing surplus electricity supplies in the region requires particular attention.

Progress made during the last twelve months would not have been realized without the dedication of Board members, Management and Staff. I concede that we still have a lot to do to make BPC render a first class service to the nation.

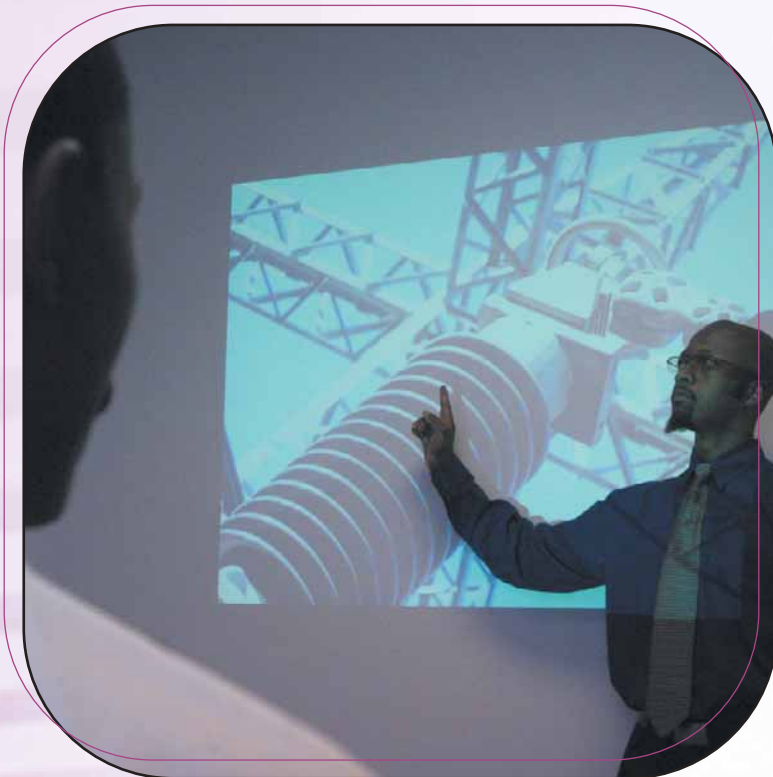
I also thank all of you, our customers, for your continued support. Lastly, but not at all the least, I thank the Government for the support it has continued to give the Corporation both financially and on policy guidelines.



**C.M. Lekaukau**  
*Chairman, Board of Directors*

BPC contributes to the empowerment of the nation via through regular school competitions.



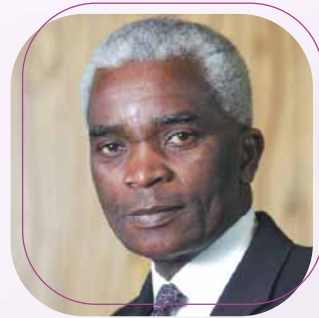


Staff training at BPC

## Chief Executive's Review

**J.T. KALUZI**

Acting Chief Executive Officer



**On behalf of the Botswana Power Corporation Management, I present an operational review for the period 1<sup>st</sup> April 2003 to 31<sup>st</sup> March 2004, under the following subheadings:**

- Generation
- Operations & Transmission
- Distribution
- Commercial
- Projects
- Personnel, Administration and Training
- Loss Control
- HIV/AIDS

BPC goes home to the customer and contributes to the electrification of remote areas.





## Generation

### *Morupule Power Station*

The Power Station continued to operate as a base load station during the year, but the production levels were adversely marred by the prolonged forced outage of unit 3 due to vibration problems experienced during the commissioning of the unit after general overhaul. Unit 3 was out of service for a major part of the year, and the repairs are in progress.

A low production of 823,056 MWh was generated with 726,719 MWh exported into national grid. This is a 22.4% shortfall from the generation forecast for the year. The total production for financial year 2002/03 was 935,608 MWh with 829,721 MWh exported into the national grid.

The shortfall was mainly due to forced outages which were caused by mechanical failures on unit 1 governor valves, prolonged unit 3 outage and the turbine 4 electro-hydraulic governor control module which failed.

The number of unit trips was reduced from 49 (previous year) to 32 trips for the year.

### *Ghanzi Power Station*

Ghanzi Power Station operated satisfactorily under the Management of Barloworld. By the end of March 2004 Barloworld had achieved 108,180 accident free man-hours.

The contract with Barloworld was extended in June 2003 for a further 12 months due to delays in completion of cross border transmission line from Namibia, which is now expected to be completed in December 2004.

The highest recorded energy consumption to date was 1,134 MWh in March 2004.

The energy consumption growth rate has reduced from an average of 23% to 17% during the last quarter of the year. In February 2004 the third 1600 kVA transformer at Ghanzi Power Station was installed and commissioned to address the firmness of the installed transformer capacity.



Morupule Power Station contributes about 30% of total energy requirements.



## Operations and Transmission

### Operational Statistics

**A new system maximum demand of 393.8 MW was registered on 7th July 2003. The new peak constitutes a 9.4% increase over the previous year.**

For the period under review, the country's electrical energy requirement was met through internal generation (Morupule Power Station) and imports from Eskom (RSA), Hidroelectrica De Cahora Bassa (HCB - Mozambique) and SAPP Short Term Energy Market (STEM). The proportion of internal generation to imports in terms of energy was 27.8% to 72.2%, respectively. For system peak (MW), the contribution from internal generation was 30.5% and 69.5% from imports.

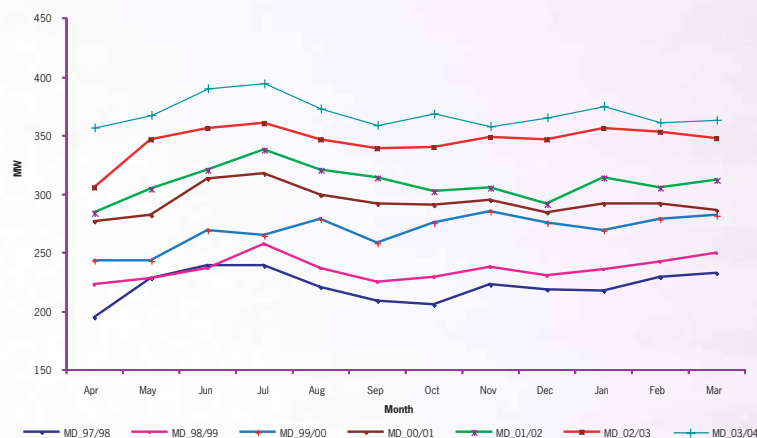
The imports on the interconnected power system (excluding cross-border supply) over the period under review were as follows:

Eskom	79.1%
HCB	11.8%
STEM	9.1%

The prices in STEM, though still lower, have been steadily increasing. On the other hand, the amount of power that is placed in STEM has been decreasing due to, among other things, a number of generators being out of service for overhaul. The Power Purchase Agreement between Eskom (RSA) and the Corporation that came into force in January 2000 expires on the 31st December 2007. In this regard, the negotiations on the extension of the Agreement to 2012 have been deferred to the end of 2005, to enable both parties carry out, among other things, a detailed review of their various options. Loss of unit 3 in July of 2003 contributed to the increase in imported energy.

Figure 1 below illustrates monthly system maximum demand for the last seven years.

**Figure 1: System Maximum Demand**



### System expansion

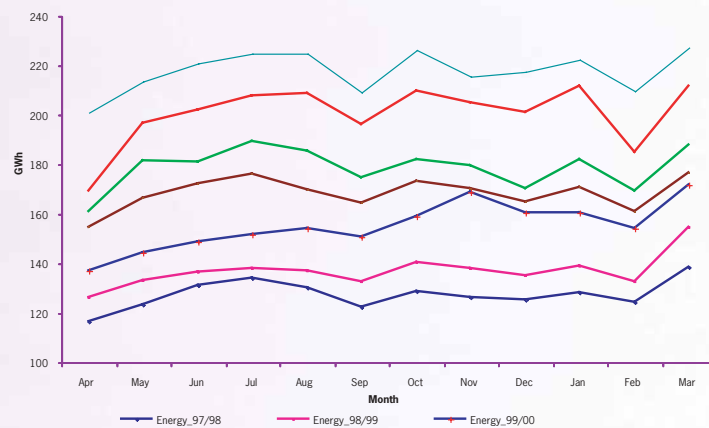
A new substation was commissioned in Francistown on 24 April 2003. The new Francistown West substation has a transformation capacity of 2 x 20MVA, 132/11kV transformers supplied by a 15.6 km double circuit line from Francistown substation.

In September 2003, the new SPIDER system at the National Control Centre was upgraded to include capability to interface with other information management systems within the Corporation.

A system study focused on system constraints and security of supplies was completed during the year.

Figure 2 below shows the System Energy for the last seven years.

Figure 2: System Energy



## Distribution

The planned Distribution Services Centre at Lerela commenced operations during the year under review. In addition, the Distribution Services Centre at Sowa was relocated to Nata in order to better service the area comprising Sowa, Nata, Mosetse, Dukwi and Gweta. Plans are at an advanced stage to commence operations at Werda in the Kgalagadi District. These developments will allow the Corporation to pursue its objective of bringing services closer to its customers.

The Corporation concluded a review of ways to improve customer connection service delivery. The majority of the recommendations arising from the study were adopted and are expected to result in improved service efficiency.

The past year saw the Corporation investing in the retrofitting of remote monitoring and control systems to two customer networks in the Gaborone area. This will allow faster responsiveness to supply continuity and quality problems.

BPC Drama Group promotes  
HIV/AIDS awareness  
throughout the country



## Commercial

### New Connections

The number of new connections for the period under review was 13,585, which is above the target of 13,080 by 505. The new connections represent a 12.5% growth in the number of customers in the year, and are higher than the new connections in the previous year by 1,574.

As seen in Figure 1, most of the new connections are in the Central District followed by the South East and Kweneng. The three accounted for 68.0% of new connections.

Most of the new connections are in the domestic category, which accounted for 90.7%, as seen in Figure 2. The second largest category was Small Business with 7.2% of the connections.

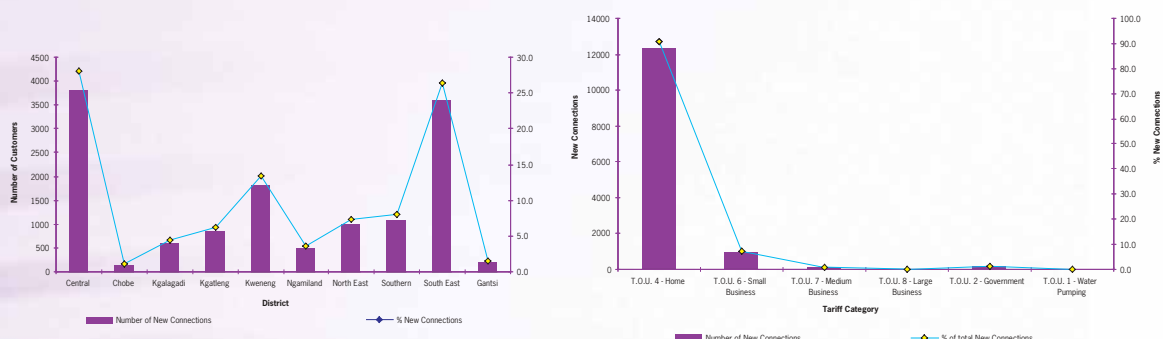
The total connections are now 122,625, an increase of 12.6% on the 108,985 at the start of the Financial Year. The distribution of the Total Connections among the Districts is as shown in Figure 3. Most of the connections are in the South East followed by Central District and North East District respectively.

The growth in the number of customers is shown in Figure 4. There has been a steady growth over the past years and this has been due to the foresight of the Government in providing financing and affordable terms of payment for new connections. The rate of growth is likely to be sustained as new villages are being connected following the 72 Village Electrification Project which was completed by December 2001. The number of villages being electrified in the 2003/4 Financial Year was fifteen.

Marketing activities continued to focus on direct selling in SHHA areas in Gaborone and Francistown. In addition some villages in the Kweneng and Central Districts were targeted. Promotional activities and trade exhibitions were also carried out around the country.

Fig 1. Spread of New Connections Among Districts

Fig 2. New Connections by Tariff Category



### Village Electrification

Village electrification continued to be one of the major thrusts of the electrification programme. A total of 15 villages were selected for electrification in the year under review.

These were: - Chadibe, Kule, Moletemane, Dagwi, Dutlwe, Seolwane, Parakarungu, Lotlhakane West, Bokspits, Topisi, Makwate, Mokgomane, Mokatako, Taupye and Otse (Central District).

Construction and commissioning work has been completed in Otse. Construction is in progress in other fourteen villages and are 71% to completion.

As part of the contribution towards village electrification, the Corporation committed P11.0 million for extending networks in villages in the year under review. Construction is complete in the 9 villages of:- Mabutsane, Senete, Xhumo, Ncojane, Gootau, Moroka, Tsetsebjwe, Masunga, Tutume and nearly complete in Letlhakane. This is in addition to the P10.0 million network extensions for the 2002/3 Financial Year in Sedibeng, Nkange, Maitengwe, Siviya, Lokgwabe, Bogogobo, Owamenemo and Toteng.

A total of 51 new Rural Collective Schemes, through which the Government supports residents of rural areas to connect electricity by advancing 95% of the costs through deferred repayments over a period of 15 years, were registered in the year with 123 potential members. The total number of Rural Collective Schemes was 1,338 by 31st March 2004. The number of connections to existing Rural Collective Schemes was 8,452, which brought the total membership of Rural Collective Schemes to 51,902.

Fig 3. Spread of Customer in Districts

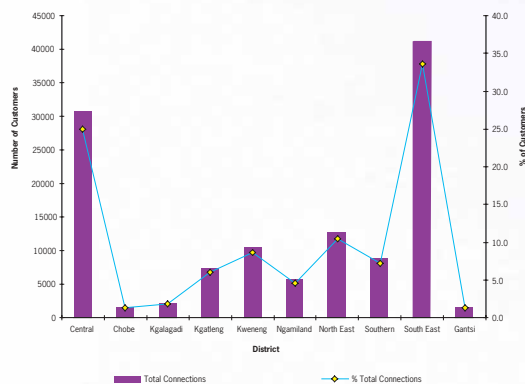
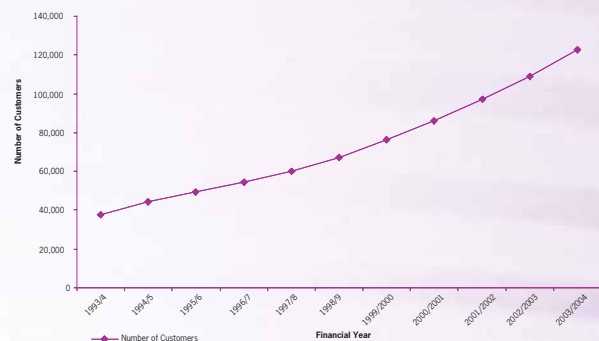


Fig 4. Number of Customers Increase



## Projects

At Thamaga Switching Station, the erection of all the 220 kV and 132 kV outdoor equipment as well as the installation of the indoor integrated control and relay systems were completed. The Segoditshane to Thamaga transmission line upgrade from 132 kV to 220 kV is due for completion in June 2004. Once commissioned, the new Thamaga Substation with its 2X125 MVA, 220/132 kV transformation capacity will be the second main point of supply for the Southern region of Botswana.

Following the completion of the Feasibility Study for the second 220 kV transmission line from Morupule to the Southern region (Thamaga), an Environmental Assessment Study was undertaken and the line route survey was completed. It is hoped that construction of this 300 kilometre transmission line will commence in the next financial year.

As part of enhancing the quality, availability and reliability of supplies into Kanye and its environs, the Corporation commissioned the Kanye 2X20 MVA, 132/11 kV and the Mmakgodumo 2X20 MVA, 132/33 kV Substations. Site work is in progress at the new Woodhall Substation in the Lobatse area where 2X20 MVA, 132/11 kV transformers will be installed during the first phase of development of this substation. The electricity supplies in the Lobatse area will also be much firmer once the Mmakgodumo to Lobatse 132 kV transmission line is constructed. The commissioning of this transmission line, which is earmarked for the early part of 2005, will herald the establishment of a 132 kV ring circuit connecting Thamaga, Kanye, Lobatse and Gaborone thus ensuring more secure electricity supplies to the loads in those areas.



Expansion of electrical distribution infrastructure in rural areas.



Construction work on the cross-border Omaere (Namibia) to Ghanzi 132 kV transmission line project commenced in Namibia and Botswana and is due for completion in November 2004. In Botswana, this project comprises the construction of 200 kilometres of transmission line and a 2X10 MVA, 132/11 kV substation at Ghanzi. It is anticipated that this project will tremendously improve the electricity supplies of the Ghanzi Township and will bring about the decommissioning of the existing expensive diesel generation sets that have hampered Ghanzi's economic growth potential, given its close proximity to the Trans-Kalahari Highway. In addition, this project strengthens the existing co-operation between NamPower and Botswana Power Corporation and is indeed of mutual benefit to the two neighbouring countries.

BPC powers all hospitals and clinics in Botswana guaranteeing improved health care



## Personnel, Administration and Training

The Corporation continues to identify relevant long and short term courses to up-skill its employees and thus address both the business and the individual developmental needs.

The issue of training for localization remained topical and all internal stakeholders have exhibited eagerness to not only have expatriate held positions localized but that competent replacements are identified and developed.

## Loss Control

The Corporation has for the fourth year running managed to maintain a favorable disabling injury incident rate of less than 1%. This incident rate places all business units in a position to achieve a 5 star Health & Safety rating.

Fraudulent use of electricity is a major concern for the Corporation and does contribute to non-technical system losses. A total of 142 cases were detected during the year under review. A total of 99% of the cases involve domestic consumers.

The clinic at Morupule Power Station continued to provide periodic and pre employment medical screening, including audiometric testing.



BPC powers all street lights in Botswana making driving at night safer.

## HIV/AIDS

As reported in the previous year the Corporation commissioned a study to measure HIV& AIDS impact in the work place. The results of the study were used as input in the development of a long term strategy. The consultant engaged has submitted a draft long term HIV/AIDS strategy to management and BPC's Board of Directors for consideration.

Following on from the study, through Botswana Medical Aid Society, the Corporation launched a Special Benefit Fund to assist employees who may wish to enroll for Anti-Retroviral Therapy programme. An agreement was also reached with Botswana Medical Aid Society to cover the cost of the Elisa test which is a confirmatory test before enrolling on a therapy programme.

J. T. Kaluzi

**J.T. KALUZI**

Acting Chief Executive Officer

Officers on call  
attending faults



# Corporate Governance

**Adherence to corporate governance principles and practices has always been a matter of priority in driving the Corporation forward. As a fundamental and sine qua non for a successful corporate body the Corporation's Board has relentlessly worked towards compliance with legal standards, (both common law and statutory) and other international best practices to achieve acceptable levels of transparency and corporate governance.**

## Board Members

The Minister of Minerals, Energy and Water Resources (MEWR) is empowered under Section 4 of the Botswana Power Corporation Act (BPC ACT)[CAP 74:01] of Laws of Botswana to appoint Members of the Corporation's Board. As a statutory requirement, under the BPC Act, the Board meets at least four (4) times in a financial year, which commences 1st April ending 31st March the following year. The Scheduled Board meetings, which are predetermined at the commencement of a financial year are to create for the Board control and periodic evaluation of the business performance.

The composition of the Board is nine (9) Members, including the Chairman. Mr. C.M. Lekaukau is the Chairman, Ms. E. T. Rakhudu the Vice Chairperson and other serving Members being: Mr. M.S. Koontse, Mr. F. O. Motlathledi, Ms. B. Morewagae (representative of the Director of Industrial Affairs), Mr. B. Sillah (representative of Bamangwato Concessions Limited), Ms. A. Kgosidintsi, Mr. S. Kapondorah and Mrs. P. Kanedi.

Mr. F. O. Motlathledi and Mrs. P. Kanedi served the first term of their appointment which ended on the 30th September 2003, however, they were re-appointed for another term of three (3) years.

## Board Committees

For purposes effective control of the business and ensuring good governance, the Board constituted standing and adhoc Committees with clearly defined mandates. Adhoc Committees setup related to the recruitment of the executive management positions, promulgation of the Corporation's HIV/AIDS Corporate Policy and Feasibility Studies for the Proposed Morupule Power Station Generation Expansion Project. The Board's Standing Committees are:

The Committee is made up of five (5) Members with a specific mandate to carry out the following functions:

- (a) Review financial statements with external auditors prior to approval by the Board.
- (b) Ensure the effectiveness of Internal Audit function.
- (c) Ensure the carrying out and effectiveness of the Annual Statutory Audits.
- (d) Coordination of the Internal and External Audit coverage.
- (e) Review significant and extra-ordinary transactions.
- (f) Review current accounting policies and guide on amendments thereto, and generally oversee systems of internal controls and their effectiveness.

The Board Audit Committee is chaired by Mrs. P. Kanedi and other Members thereto are Ms. A. Kgosidintsi, Mr. B. Sillah, Ms. B. Morewagae and Mr. M.S. Koontse. The Committee convenes three (3) times annually, with the Chief Executive Officer, Financial Manager, Distribution Manager, Internal Audit Manager and the Corporation's External Auditors in attendance. The Internal and External Auditors do, however, have unrestricted access to the Chairman of the Committee as a measure to ensure good corporate governance.

#### **Board Executive Committee**

The Committee is made up of five (5) Members, chaired by Mr. C.M. Lekaukau with the following as Members thereto: Ms. E.T. Rakhudu, Ms. A. Kgosidintsi, Mrs. P. Kanedi and Mr. F.O. Motthatlhedhi. The Board Executive Committee has unlimited jurisdiction. All matters of policy and others with significant impact on the business (in the exception of those specifically identified to be within the mandate of an established standing Committee) are considered by the Board Executive Committee before they are tabled before the Board.

#### **Board Tender Committee**

The principal mandate of the Committee is to ensure and enforce the application of the Corporation's Tender Regulations and tender adjudication on procurement of goods and services with values of P500 000.00 and above. The Committee is chaired by Ms. E.T. Rakhudu with other Members as Mr. M.S. Koontse, Ms. B. Morewagae, Mr. S. Kapondorah and Mr. F.O. Motthatlhedhi.

#### **Board Finance Committee**

The Committee's mandate involves considering financial performance of investments, corporate budgets and other matters of financial nature before adoption and approval by the Board. The Committee is chaired by Mr. M. S. Koontse with other Members as Mrs. P. Kanedi, Mr. F.O. Motthatlhedhi, Ms. E. T. Rakhudu and Mr. S. Kapondorah.

### **Board Member's fee and Remunerations**

The Government determines the level of Board Members sitting allowances. The fee rates applicable at the relevant period were sanctioned as follows:

The Chairman  
(including Members Chairing Board Committees) P870.00 per sitting

The Vice-Chairman P653.00 per sitting

Member P435.00 per sitting

Members who incur traveling and accommodation expenses are reimbursed by the Corporation. Travelling costs incurred by road are reimbursed at rates set by the Government whilst in other modes of transportation the actual expended amount is claimable by the Member from the Corporation.



## **Approval of Annual Financial Statements**

On the 13 August, 2004, the Board approved the Financial Statement of the Corporation. The Financial Statements were accordingly signed by the Chief Executive Officer (Acting) and the Board Chairman.

## **Internal Audit**

The Internal Audit function assists management in the review of the Corporation's business activities, protection of assets and advises on issues of Corporate Governance. The Internal Audit Manager has unrestricted access to the Board Chairman and the Chairman of the Board Audit Committee. The Internal Audit function reports its findings to the Corporation's Management and the Board Audit Committee.

## **Internal Control**

Management and the Board are responsible for the integrity and maintenance of effective systems of internal control. The systems and controls are designed to provide and assure reasonable and reliable accounting of the financial statements and other operational information.

Based on information received from Management and Internal Auditors, the Board is of the opinion that the Systems of Internal Control can be reasonably relied upon, and that there was no material or fundamental breakdown in the systems of Internal Control during the year under review.

## **Executive Management**

The senior management of the Corporation convenes management meetings at least once per month to review, consider and adopt matters of strategic and tactical importance.

## **Management Reporting**

Management carries out periodic and regular (quarterly) reporting to the Board on financial and other results as a measure to ensure an effective monitoring mechanism. Annual budgets are prepared and related to actual results and the budgets of the previous financial years.



## **Risk Management System**

The Corporation implemented a risk management system during the year under review. This culminated in the identification of the Eight (8) High risks. An action plan was agreed to mitigate the identified risks.

## **Worker Compensation**

Management has regular consultative meetings with the employees' registered Trade Unions and Middle Management Staff Association. It is through such fora that employees are provided with sufficient and necessary information on issues that affect their employment relationship with the Corporation, the performance of the business and including the exchange of ideas between the parties.

## **Staff Remuneration**

An Employee Remuneration Policy was formulated after wide consultations with employees and employee bargaining bodies. Management and the BPC Workers Union secured a Collective Labour Agreement and by the terms thereof issues of remuneration are negotiated. There are general consultations with other employees not represented by the BPC Workers Union. Remuneration of Staff is however subject to prescribed guidelines and limitations imposed by the Government.

All staff remuneration packages, i.e. salaries review or adjustments must be first approved by the Board before implementation.

## **Ethics**

Members of the Board and staff members are required to conduct themselves to the highest ethical standards. In View of this, the Corporation has re launched its policies and procedures on Code of Ethics and Conduct and also Fraud and Irregularities. Through these policies, employees are encouraged to be, both individually and severally, champions of these policies and procedures, as the believes that staff are nothing but servants of the public.

## **Stakeholders Communication**

The Corporation strives at all times to make relevant disclosure of information to its stakeholders in a transparent manner.

# Financial Review

## Revenue growth and profitability

**The Corporation's profitability during the year was affected by adverse business environment such as lower electricity consumption by mining sector, cost escalation of imported electricity and coal, devaluation of Pula against South African Rand and high volume of energy import caused by unit trips and prolonged outages and consequent lower generation at Morupule Power Station.**

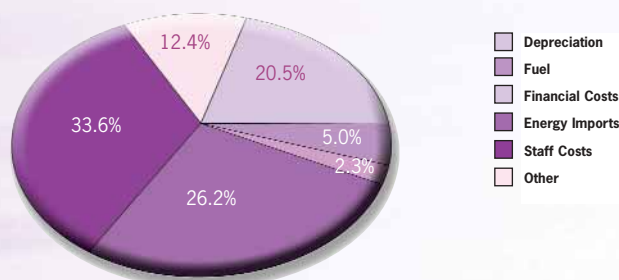
Sales revenue increased by 10.3 percent to P558.9 million. Interest received on consumer loans increased by 20.0 percent to P21.8 million. The gross revenue, including interest earned on consumer loans has increased by 10.8 percent to P581.9 million. The tariff increase budgeted with effect from June 2003 was implemented only in March 2004.

Units sold increased by 10.1 percent to 2,366.4 GWh. Sales to mining sector increased by 7.6 percent and non-mining sector consumption increased by 11.6 percent. Mining sector constituted 45.5 percent of the total units sold, with BCL account for 19.4 percent, Orapa Mine 12.1 percent, Jwaneng Mine 8.6 percent and Tati Nickel 4.8 percent.

The escalation in cost of coal, imported energy and other input costs had pushed the Operating expenses by 18.4 percent to P526.7 million. The energy import accounted for 26.2 percent of the total expenses and depreciation accounted for 20.5 percent.

The unit generation of 726.7GWh at Morupule Power Station during the year was only 78.6 percent of the budgeted generation. The lower output is attributable to prolonged outages and unit trips and this, coupled with coal cost escalation, increased the total cost per unit generated to 20.2 thebe compared 13.8 thebe for the same period last year. The effect of this lower output, on the profitability, was exacerbated as it necessitated more import of electricity at a higher cost than the previous year. The average cost of imported electricity for the period was 7.4 thebe, against 5.9 thebe last year (22.0 percent up). About 80.9 percent of total units sold were from imported sources.

### Analysis of Costs



Rural electrification and network development require the establishment of more Distribution Customer Service Centres to service the remote areas, where the uptake of electricity by consumers in rural areas is relatively slow and low. The initial high investments together with a low uptake require a long payback period for these new Customer Service Centres, putting pressure on the Corporation's operating costs and profitability in the short run.

The operating income of P66.6 million is 28.6 percent lower than previous year. This is mainly attributable to increase in Operating expenses, especially costs of coal and imported energy, coupled with low increase in revenue. During the year, in order to comply with the International Financial Reporting Standards on method of providing for bad and doubtful debts on accounts receivables, the Corporation wrote back P15.7 million from accumulated provision for bad and doubtful for Trade receivables and Consumer loans, which resulted in increasing the operating profit. Excluding this write back the operating profit was P50.9 million.

Interest received on investment increased by 23.9 percent to P152.0 million as a result of reinvestment of the interest income and positive cash flow from operation.

Net profit for the year is P206.0 million, which equates to 8.6 percent return on total equity and 141.5 percent earning on Irredeemable Capital.

The Corporation declared a dividend of P8.7 million calculated at 6 percent of irredeemable capital for the year 2003/04 and a special dividend of P81.3 million as per the request from the Shareholder (Government of Republic of Botswana).

## Financial Position

The total assets increased by 12.9 percent to P3,036.1 million. Property, plant and equipment increased by 8.9 percent to P1, 399.3 million.

The consumer loans, which include both Hire Purchase Scheme financed by the Corporation and Rural Collective Schemes financed by Government, to meet the capital connection cost has increased by 21.1 percent to P180.4 million. Rural Collective Scheme is Government funded scheme established to provide access to electricity to rural consumers and is administered by the Corporation on behalf of the Government of Republic of Botswana.

Out of total Deposits and Investment of P1,200.1 million, P79.8 million is held offshore to hedge against any fluctuation in foreign exchange exposure on offshore borrowings and deposits and short-term investments totaling P1,080.4 million is intended for the expansion of the power station, subject to the results of the feasibility study report.

Current assets increased by 17.8 percent to P1, 415.2 million and current liabilities increased by 58.3 percent to P371.7 million, with a liquidity ratio of 3.1. Trade and other receivables increased in line with increase in business volume. The day's-sales were maintained at 40 days against the target of 44 days.

Total equity, which includes revaluation reserves, increased by 6.3 percent to P2,397.1 million. Non-current liabilities increased by 34.0 percent to P267.3 million.

The Corporation enjoys a very strong financial position with a gearing ratio of 0.06 and interest cover of 19.2. However, the return on revalued property, plant and equipment has decreased to 5.3 percent against a target of 6.5 percent.

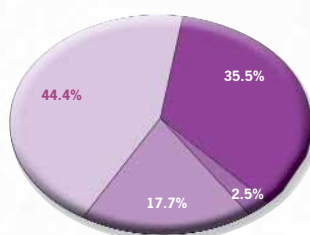
Cash and cash equivalent increased by P168.2 million P1, 175.5 million as result of positive net cash flow from operations, investing activities and improved working capital position. During the year the Corporation spent P198.8 million on capital assets.

## Value Added Statement

This statement reflects the wealth which the Corporation and its employees have created through the generation, transmission and distribution of electricity, and its sale thereof. The statement further reflects the distribution to those contributing to that wealth creation, and the portion retained for the replacement and expansion of the Corporation assets.

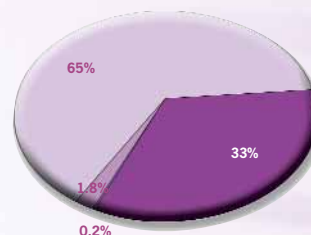
	2004 P'000	%	2003 P'000	%
<b>Value created</b>				
Revenue	581,855		525,239	
Less : Primary costs & services	(235,386)		(187,645)	
Value created from operations	346,469		337,594	
Add : Interest received & other income	163,433		135,339	
<b>Total value created</b>	<b>509,902</b>	<b>100</b>	<b>472,933</b>	<b>100</b>
<b>Value distributed</b>				
To employees	181,023	35.5	155,908	33.0
Finance costs on borrowings	12,589	2.5	1,093	0.2
Dividend paid to government	90,000	17.7	8,738	1.8
	<u>283,612</u>	<u>55.6</u>	<u>165,739</u>	<u>35.0</u>
<b>Value retained</b>				
Retained earnings	(36,011)	(7.1)	83,795	17.7
Insurance reserve	0	-	(410)	(0.1)
Capital replacement reserve	152,017	29.8	122,647	25.9
Depreciation	110,284	21.6	101,162	21.4
	<u>226,290</u>	<u>44.4</u>	<u>307,194</u>	<u>65.0</u>
	<u>509,902</u>	<u>100</u>	<u>472,933</u>	<u>100</u>
<b>Head count</b>	<b>2,104</b>		<b>2,086</b>	
<b>Value created per employee</b>	<b>242</b>		<b>227</b>	

For the Year 2004



■ To employees  
■ To providers of loans  
■ Dividend to government  
■ Retained in the business

For the Year 2003







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## Statement of Board Members' Responsibility

The Board is responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Botswana Power Corporation Act. (Chapter 74.01)

The Board is also responsible for the Corporation's systems of internal financial controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatements and loss. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The members of the board have reviewed the financial projections of the Corporation for the year to 31 March 2005 and the economic environment in which the Corporation operates and are satisfied that the Corporation has adequate resources in place to continue in operation for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

The financial statements set out on pages 42 to 63 were approved by the Board on 13 August 2004 and are signed on its behalf by:



C.M. LEKAUKAU  
CHAIRMAN



J.T. KALUZI  
ACTING CHIEF EXECUTIVE

# Report of the Independent Auditors

TO THE MINISTER OF MINERALS, ENERGY AND WATER RESOURCES PURSUANT TO SECTION 22(2) AND (3) OF THE BOTSWANA POWER CORPORATION ACT (CHAPTER 74:01)

We have audited the accompanying financial statements of the Corporation set out on pages 42 to 63 for the year ended 31 March 2004. These financial statements are the responsibility of the Corporation's Members of the Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Botswana Power Corporation Act (Chapter 74:01) and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have examined the books, accounts and vouchers of the Corporation to the extent we considered necessary and have obtained all the information and explanations which we required. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :

- the Corporation has kept proper books of account with which the financial statements are in agreement;
- the financial statements give a true and fair view of the state of the Corporation's affairs as of 31 March 2004 and of the results of its operations; changes in equity and cash flow information for the year then ended in accordance with International Financial Reporting Standards; and
- the Corporation has complied with all the financial provisions of the Botswana Power Corporation Act (Chapter 74:01).

16th August 2004  
Gaborone



Certified Public Accountants

# Income Statement

for the year ended 31 March 2004

	Notes	2004 P'000	2003 P'000
<b>Revenue</b>	2	581,855	525,239
Other operating income	3	11,416	12,692
<b>TOTAL OPERATING INCOME</b>		<u>593,271</u>	<u>537,931</u>
Generation, transmission and distribution expenses	4.1	(388,164)	(320,868)
Administration and other expenses	4.2	(138,529)	(123,847)
<b>TOTAL OPERATING EXPENSES</b>		<u>(526,693)</u>	<u>(444,715)</u>
<b>PROFIT FROM OPERATIONS</b>		<b>66,578</b>	<b>93,216</b>
Interest received			
<b>PROFIT BEFORE FINANCE COSTS</b>	5	<u>152,017</u>	122,647
Finance costs		<b>218,595</b>	<b>215,863</b>
<b>NET PROFIT FOR THE YEAR</b>	6	<u>(12,589)</u>	(1,093)
		<b>206,006</b>	<b>214,770</b>



## Balance Sheet

as at 31 March 2004

	Notes	2004 P'000	2003 P'000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	7	1,399,340	1,284,886
Available-for-sale investments	8	45,709	21,722
Investments held-to-maturity	9	74,010	84,411
Consumer loans - Hire Purchase Scheme	10	69,843	36,069
Consumer loans - Rural Collective Scheme	11	32,037	60,914
		<u>1,620,939</u>	<u>1,488,002</u>
<b>Current assets</b>			
Investments held-to-maturity	9	1,080,428	957,013
Inventories	12	40,988	34,725
Trade and other receivables	13	114,283	101,346
Consumer loans - Hire Purchase Scheme	10	15,018	7,441
Consumer loans - Rural Collective Scheme	11	63,516	44,519
Bank and cash		100,936	56,417
		<u>1,415,169</u>	<u>1,201,461</u>
<b>TOTAL ASSETS</b>		<u><b>3,036,108</b></u>	<u><b>2,689,463</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Irredeemable capital	14	145,637	145,637
Revaluation reserves	15	1,082,254	1,056,353
Other reserves	16	621,896	469,879
Retained earnings		547,339	583,350
Total equity		<u>2,397,126</u>	<u>2,255,219</u>
<b>Non current liabilities</b>			
Consumer deposits		31,248	26,532
Deferred income - consumer financed projects	17	80,524	-
Borrowings	18	155,506	172,874
		<u>267,278</u>	<u>199,406</u>
<b>Current liabilities</b>			
Trade and other payables	19	119,226	81,051
Borrowings	18	14,607	14,525
Advances - consumer financed projects	20	147,871	130,524
Dividend payable	21	90,000	8,738
		<u>371,704</u>	<u>234,838</u>
Total liabilities		<u>638,982</u>	<u>434,244</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>3,036,108</b></u>	<u><b>2,689,463</b></u>

## Statement of Changes in Equity

for the year ended 31 March 2004

	Irredeemable capital	Revaluation reserves	Other reserves	Retained earnings	Total
	P'000	P'000	P'000	P'000	P'000
<b>Balance at 1 April 2002</b>	<b>145,637</b>	<b>1,057,142</b>	<b>347,642</b>	<b>499,555</b>	<b>2,049,976</b>
Surplus on revaluation of property, plant and equipment (note 7)	-	(789)	-	-	(789)
Net profit for the year	-	-	-	214,770	214,770
Transfers (note 16)	-	-	122,237	(122,232)	-
Dividend	-	-	-	(8,738)	(8,738)
<b>Balance at 31 March 2003</b>	<b>145,637</b>	<b>1,056,353</b>	<b>469,879</b>	<b>583,350</b>	<b>2,255,219</b>
Balance at 1 April 2003	145,637	1,056,353	469,879	583,350	2,255,219
Surplus on revaluation of property, plant and equipment (note 7)	-	25,901	-	-	25,901
Net profit for the year	-	-	-	206,006	206,006
Transfers (note 16)	-	-	152,017	(152,017)	-
Dividend	-	-	-	(90,000)	(90,000)
<b>Balance at 31 March 2004</b>	<b>145,637</b>	<b>1,082,254</b>	<b>621,896</b>	<b>547,339</b>	<b>2,397,126</b>

# Cash Flow Statement

for the year ended 31 March 2004

	Notes	2004 P'000	2003 P'000
<b>CASH FROM OPERATING ACTIVITIES:</b>			
<b>Operating income before working capital changes</b>	27.1	<b>173,107</b>	<b>203,148</b>
Interest paid		(11,335)	(10,893)
<b>Cash from working capital changes:</b>			
Decrease/(increase) in inventories		(6,263)	7,867
Increase in trade and other receivables		(12,937)	(7,234)
Increase in trade and other payables		38,175	14,684
Increase/(decrease) in current portion of long term borrowings		82	(4,263)
Increase in advances - consumer financed projects		17,347	63,742
<b>Net cash from operating activities</b>		<b>198,176</b>	<b>267,051</b>
<b>CASH FROM INVESTING ACTIVITIES:</b>			
Interest received	5	152,017	122,647
Proceeds from disposal of property, plant and equipment		2,501	1,093
Capital expenditure - new		(196,454)	(122,640)
- replacement		(2,383)	(8,044)
<b>Net cash used in investing activities</b>		<b>(44,319)</b>	<b>(6,944)</b>
<b>CASH FROM FINANCING ACTIVITIES:</b>			
Decrease in long term borrowings		(17,368)	(36,973)
Increase in consumer loans - Hire Purchase Scheme		(41,351)	(21,791)
Decrease/(increase) in consumer loans - Rural Collective Scheme		9,880	(10,895)
Increase in consumer deposits		4,716	2,960
Increase in deferred income - consumer financed projects	17	80,524	-
Decrease in investments held-to-maturity - deposits with foreign banks		10,667	18,242
Increase in investments available-for-sale		(23,987)	(12,222)
Dividend paid		(8,738)	(8,738)
<b>Net cash used in financing activities</b>	27.2	<b>14,343</b>	<b>(69,417)</b>
<b>Net increase in cash and cash equivalents</b>		<b>168,200</b>	<b>190,690</b>
Cash and cash equivalents at beginning of the year		1,007,338	816,648
<b>Cash and cash equivalents at end of the year</b>	27.3	<b>1,175,538</b>	<b>1,007,338</b>

# Accounting Policies

31 March 2004

## A. Basis of accounting

The financial statements have been consistently prepared in accordance with International Financial Reporting Standards except as disclosed in note 17. The financial statements have been prepared under the historical cost convention except for immovable property and plant and equipment which are shown at depreciated replacement cost and investments which are shown at fair value.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

## B. Revenue

Revenue comprises sales of electricity to consumers, reconnection charges and interest received on consumer loans. Sale of electricity and reconnection charges are recognised as revenue at the time of invoicing. Interest on consumer loans is recognised on accrual basis.

## C. Investment income

Investment income which comprises interest on deposits and long term investments is accounted for on the accrual basis. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Corporation.

## D. Property, plant and equipment

Immovable property, plant and equipment is stated at valuation based on depreciated replacement cost less depreciation. With the exception of motor vehicles, furniture, fittings and equipment classified as other assets in note 7, the Corporation values its immovable property, plant and equipment professionally every five years commencing from 1 April 1983. In the intervening years the Corporation revalues its property, plant and equipment by reference to Botswana cost indices and United States indices applicable to the electricity supply industry, after taking into account the effects resulting from the changes in value of the Botswana Pula against the US Dollar.

Unrealised surpluses and deficits on revaluation are transferred to a capital reserve. Profits and losses on disposal, based on revalued book values, are included in the income statement.

Short life equipment, such as motor vehicles, furniture and data processing equipment, is stated at historical cost less depreciation.

The amount of the cost of plant and equipment financed by Government is set off against the costs incurred by the Corporation on these projects and depreciation is charged on the net amount. The amount of the cost of plant and equipment financed by private consumers is capitalised and depreciated over the expected useful lives of these assets. The cash received from consumers is recognised as deferred income and amortised over the estimated life of the assets.

Capital work in progress comprises expenditure incurred on capital projects not yet commissioned and includes contractors charges, materials, direct labour and related overheads.

# Accounting Policies

31 March 2004

## E. Depreciation

Depreciation on property, plant and equipment is calculated on the straight line basis which will write off the cost or valuation over their expected useful lives at the following rates:

Buildings	4%
Generation facilities	4%
Transmission and distribution facilities	4%
Motor vehicles	20%
Furniture and office equipment	20 - 33,3%
Data processing equipment and software	20 - 33,3%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged to the income statement in the period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Corporation. Major renovations are depreciated over the remaining useful life of the related asset.

Significant additions to property, plant and equipment are depreciated from the date of commissioning. All other additions are depreciated from the year following the year of purchase and commissioning.

Land is not depreciated.

## F. Impairment of long lived assets

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 purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

## G. Investments

The Corporation classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investment at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short term is defined as 12 months. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the Corporation commits to purchase or sell the assets. Cost of purchases includes transaction costs.



# Accounting Policies

31 March 2004

Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the value of trading investments are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for sale are recognised in the income statement. The fair value of investments are based on quoted bid prices. Impairment adjustments are included in the income statement.

## H. Foreign currencies

### (1) Measurement currency

Items included in the financial statements are measured in Pula, being the currency that best reflects the economic substance of the underlying events and circumstances.

### (2) Transactions and balances

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

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses in the income statement. Translation differences on non-monetary items such as equities held for trading and on available-for-sale equities are also included in the income statement.

## I. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Provision is made for obsolete, slow moving and defective inventories.

## J. Trade receivables and consumer loans

Trade receivables and consumer loans are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivable and consumer loans is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables and loans.

## K. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

## L. Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost.

## M. Consumer financed projects

# Accounting Policies

31 March 2004

The non-refundable amounts contributed by Government in respect of capital work carried out for extensions are reflected in advances and the related expenditure incurred is set off against these advances as and when incurred. During the year the Corporation changed its accounting policy relating to consumer financed projects. The non-refundable amounts contributed by the consumers other than by Government are included in deferred income and amortised over the estimated lives of the related assets.

## **N. Provisions**

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Corporation expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Employee entitlements to annual leave, and contractual gratuities are recognised when they accrue to employees as a result of services rendered by employees up to the balance sheet date.

## **O. Retirement benefits**

The Corporation operates a defined contribution pension fund for its eligible permanent citizen employees. This fund is registered under the Pension and Provident Funds Act (Chapter 27:03). The Corporation contributes to the fund 15% of the pensionable earnings of the members. The contributions are charged to the income statement in the year in which they are due.

## **P. Financial instruments**

Investments in financial assets are initially recognised at cost. Subsequently, financial assets are re-measured at fair value, except for held-to-maturity investments such as debt and loans which are carried at amortised cost. Financial liabilities are recognised at the original debt less principal repayments and amortisation.

Disclosures about financial instruments to which the Corporation is a party are provided by note 26.

## **Q. Capital replacement reserve**

The capital replacement reserve is held to fund future additions of the Corporation's property, plant and equipment. With effect from 1 April 1997, investment income is transferred to this reserve.

## **R. Leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from lessor) are charged to the income statement on a straight-line basis over the lease period.

# Notes to the Financial Statements

31 March 2004

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BOTSWANA POWER CORPORATION

	2004 P'000	2003 P'000
<b>1 Surplus for the year is stated after charging/crediting:</b>		
Depreciation (owned assets - note 7)	110,284	101,162
Profit on disposal of property, plant and equipment	2,501	1,030
Repairs and maintenance of property, plant and equipment	27,113	21,591
Accounts receivable - impairment charges for bad debts	(15,670)	1,351
Foreign exchange gain/(loss)	267	(1,773)
Cost of material sold	56,608	52,764
Operating lease charges - property	1,852	1,978
Auditors' remuneration	334	262
Board members' fees	92	48
	<hr/>	<hr/>
<b>2 Revenue</b>		
Sale of electricity:		
Mining	195,358	179,972
Commercial	148,433	138,914
Domestic	134,419	118,282
Government	80,685	69,388
	<hr/>	<hr/>
	558,895	506,556
Interest earned on consumer loans	21,816	18,179
Reconnection charges	1,144	504
	<hr/>	<hr/>
	581,855	525,239
	<hr/> <hr/>	<hr/> <hr/>
<b>3 Other operating income</b>		
Profit on consumer financed projects	(259)	1,735
Profit on sale of materials	3,939	8,000
Other income	7,736	2,957
	<hr/>	<hr/>
	11,416	12,692
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

31 March 2004

	2004 P'000	2003 P'000
<b>4 4.1 Generation, transmission and distribution expenses</b>		
Fuel, water and chemicals	27,209	26,396
Purchased power	141,388	94,073
Maintenance - generation	10,268	9,773
- transmission and distribution	10,209	7,406
Staff costs - generation	33,754	31,110
- transmission and distribution	71,177	59,749
Depreciation - generation	37,255	37,717
- transmission and distribution	53,229	47,489
Other expenses - generation	2,113	1,804
- transmission and distribution	1,562	5,351
	<u>388,164</u>	<u>320,868</u>
<b>4.2 Administration and other expenses</b>		
Staff costs	76,092	65,049
Depreciation	19,800	15,956
Auditors' remuneration	334	262
Board members' fees	92	48
Other expenses	42,211	42,532
	<u>138,529</u>	<u>123,847</u>
<b>4.3 Total staff costs</b>		
Salaries and wages	161,017	139,365
Gratuities	4,533	3,887
Pension contributions	15,473	12,655
	<u>181,023</u>	<u>155,907</u>
Average number of employees	<u>2,095</u>	<u>2,060</u>
<b>5 Interest received</b>		
Interest on investments	<u>152,017</u>	<u>122,647</u>

# Notes to the Financial Statements

31 March 2004

	2004 P'000	2003 P'000
<b>6 Finance costs</b>		
Interest on borrowings	(11,335)	(10,893)
Foreign exchange losses on borrowings/investments	(243)	(1,537)
Net (cost)/gain from deposits held with foreign banks to protect against foreign exchange exposure on foreign borrowings (6.1)	(1,011)	11,337
	<u>(12,589)</u>	<u>(1,093)</u>

The net (cost)/gain from deposits held with foreign banks to protect against foreign exchange exposure on foreign borrowings will reverse over the time of the agreements, and will ultimately be nil.

## 6.1 Net (cost)/gain of foreign borrowings/investments:

Net unrealised foreign exchange gain on foreign borrowings and deposits	926	3,310
Unrealised (losses)/gain on the revaluation of deposits held with foreign banks	(1,937)	8,027
	<u>(1,011)</u>	<u>11,337</u>



# Notes to the Financial Statements

31 March 2004

## 7 Property, plant and equipment

	Land & Buildings P'000	Generation Transmission & Distribution P'000	Other P'000	Capital Work in Progress P'000	Total P'000
<b>Year ended 31 March 2003</b>					
Opening net book amount	61,308	1,087,926	44,669	62,313	1,256,216
Additions	35,267	96,744	20,599	108,758	261,368
Disposals	-	-	(63)	-	(63)
Transfers	-	-	-	(130,684)	(130,684)
Revaluation during the year	4,199	(4,988)	-	-	(789)
Depreciation	(3,291)	(78,766)	(19,105)	-	(101,162)
Closing net book amount	97,483	1,100,916	46,100	40,387	1,284,886
<b>At 31 March 2003</b>					
Cost or valuation	151,353	2,226,885	115,763	40,387	2,534,388
Accumulated depreciation	(53,870)	(1,125,969)	(69,663)	-	(1,249,502)
Net book amount	97,483	1,100,916	46,100	40,387	1,284,886
<b>Year ended 31 March 2004</b>					
Opening net book amount	97,483	1,100,916	46,100	40,387	1,284,886
Additions	1,856	3,997	13,773	179,210	198,836
Transfers	6,490	58,257	4,747	(69,494)	-
Revaluation during the year	3,969	21,933	-	-	25,902
Depreciation	(4,944)	(90,484)	(14,856)	-	(110,284)
Closing net book amount	104,854	1,094,619	49,764	150,103	1,399,340
<b>At 31 March 2004</b>					
Cost or valuation	167,008	2,322,056	119,113	150,103	2,758,280
Accumulated depreciation	(62,154)	(1,227,437)	(69,349)	-	(1,358,940)
Net book amount	104,854	1,094,619	49,764	150,103	1,399,340

# Notes to the Financial Statements

31 March 2004

	2004 P'000	2003 P'000
If the property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:		
Cost	1,397,880	1,214,146
Accumulated depreciation	(522,390)	(480,289)
Net book amount	<u>875,490</u>	<u>733,857</u>

The details of land and buildings are available at the Corporations' head office.

The amount of the cost of plant and equipment financed by the Government of the Republic of Botswana, which is not included above in term of accounting policy D, amounted to P877,357,861 (2003: P797,140,345).

In accordance with accounting policy D, the Corporation's land and buildings, generation and transmission and distribution equipment were valued on a depreciated replacement cost basis at 31 March 2003 by independent professionally qualified valuers. The valuation was performed by Merz and Mclellan (Pty) Ltd for generation, transmission and distribution equipments and Willy Kathurima Associates (Pty) Ltd and Kwena Property Services (Pty) Ltd for land and buildings. For the year ended 31 March 2004, the Corporation revalued its property, plant and equipment by reference to Botswana cost indices and United States indices applicable to the electricity supply industry, after taking into account the effects resulting from the changes in value of the Botswana Pula against the US Dollar.

# Notes to the Financial Statements

31 March 2004

## 8 Available-for-sale investments

	2004 P'000	2003 P'000
Botswana Telecommunications Corporation Bond (13.75% - 2008)	4,500	4,500
Botswana Building Society Bond (14.25% - 2005)	5,000	5,000
Barclays Bank of Botswana Bond (12.40% - 13.25% - 2014)	3,000	3,000
Government of Botswana Bond (12.65% - 2008)	9,222	9,222
Government of Botswana Bond (10.75% - 2005)	23,987	-
	<u>45,709</u>	<u>21,722</u>

Available-for-sale investments, comprises principally Government and Corporate bonds valued at the close of business on 31 March. Fair value is estimated by reference to the current market value of similar instruments. There were no disposals nor provisions for impairment on available-for-sale investments in 2004 or 2003.

Available-for-sale investment are classified as non-current assets, unless they are expected to be realised within twelve months of the balance sheet date or unless they will need to be sold to raise operating capital.

## 9 Investments held-to-maturity

Bank of Botswana Certificates	1,074,602	950,921
Deposits with foreign banks	79,836	90,503
	<u>1,154,438</u>	<u>1,041,424</u>
Current portion	(1,080,428)	(957,013)
Long term portion	<u>74,010</u>	<u>84,411</u>

Held-to-maturity investments are classified as non current assets, except for maturities within 12 months which are classified as current assets.

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 18.

# Notes to the Financial Statements

31 March 2004

	2004 P'000	2003 P'000
The following are the foreign currency deposits:		
US dollar	11,943	12,975
British pound	123	150
Japanese yen	23,782	29,158
Euro	909	1,084
South African Rand	21,097	20,756

Deposits and short term investments are retained primarily to fund the future replacement and addition of the Corporation's property, plant and equipment. Interest from these funds is accordingly transferred to the capital replacement reserve.

The weighted average effective interest rate on deposits and short term investments was 12.4% (2003: 12.0%).

## 10 Consumer loans - Hire Purchase Scheme

<b>10.1</b> Hire purchase scheme	92,772	66,010
Less short term portion	(19,501)	(19,986)
Less provision for impairment - bad and doubtful debts	(3,428)	(9,955)
Long term portion	<u>69,843</u>	<u>36,069</u>
<b>10.2</b> Hire purchase short term portion (note 10.1)	19,501	19,986
Less provision for impairment - bad and doubtful debts	(4,483)	(12,545)
	<u>15,018</u>	<u>7,441</u>

Consumer loans represents the deferred repayment scheme for the cost of capital connections payable by consumers over periods up to 180 months. These loans bear interest which vary on the repayment period and are linked to the Barclays Bank of Botswana prime lending rate (currently 15.75%).

# Notes to the Financial Statements

31 March 2004

	2004 P'000	2003 P'000
<b>11</b>		
<b>Consumer loans - Rural Collective Scheme</b>		
Rural Collective Scheme	194,173	172,053
Less advance from Government	(98,620)	(66,620)
Less short term portion	(63,516)	(44,519)
Long term portion	<u>32,037</u>	<u>60,914</u>

Rural Collective Scheme is Government funded scheme established to provide access to electricity to rural consumers. The scheme is administered by the Corporation on behalf of the Government of Republic of Botswana.

<b>12</b>		
<b>Inventories</b>		
Coal and fuel	4,637	2,877
Maintenance spares and materials	36,351	31,848
	<u>40,988</u>	<u>34,725</u>

<b>13</b>		
<b>Trade and other receivables</b>		
Consumer accounts:		
Mining	14,155	7,969
Commercial	23,098	23,543
Domestic	20,135	21,949
Government of the Republic of Botswana	11,193	8,707
	<u>68,581</u>	<u>62,168</u>
Total trade receivables	68,581	62,168
Impairment of doubtful debts	(7,370)	(8,451)
	<u>61,211</u>	<u>53,717</u>
Other receivables	53,072	47,629
	<u>114,283</u>	<u>101,346</u>

**13.1** The Corporation is holding bank guarantees against certain of these receivables to the value of P9,275,195 (2003: P9,055,295)

# Notes to the Financial Statements

31 March 2004

	2004 P'000	2003 P'000
<b>13.2</b> Other accounts receivable includes an amount of P19,806,383 (2003: P8,795,084) due from the Government of the Republic of Botswana for construction of projects and for Ghanzi agency P12,132,396 (2003: P17,248,830)		
<b>14 Irredeemable capital</b>		
Government of the Republic of Botswana	<u>145,637</u>	<u>145,637</u>
<b>15 Revaluation reserves</b>		
Arising on revaluation of property, plant and equipment	1,082,007	1,056,106
Arising on the Corporation's takeover of the Maun Rural Agency	247	247
	<u>1,082,254</u>	<u>1,056,353</u>
The movement in these reserves are shown in the statement of changes in equity.		
<b>16 Other reserves</b>		
Capital replacement reserve	<u>621,896</u>	<u>469,879</u>
	<u>621,896</u>	<u>469,879</u>
The movement in these reserves is shown in the statement of changes in equity.		
<b>17 Deferred income - consumer financed projects</b>	<u>80,524</u>	-
During the year the Corporation changed its accounting policy relating to consumer financed projects. The amount of the cost of property, plant and equipment of the Corporation financed by private consumers is capitalised and depreciation in acceptance with policy note D and the cash received from consumers is recognised as deferred income and amortised over the estimated period of lives of the related assets. No prior year adjustment was made since it was impracticable, and the policy has been applied prospectively.		



# Notes to the Financial Statements

31 March 2004

	2004 P'000	2003 P'000
<b>18 Borrowings</b>		
Total borrowings (page 63)	204,796	223,342
Portion of foreign exchange liability borne by the Government of the Republic of Botswana	(34,683)	(35,943)
Corporation debt	170,113	187,399
Short term borrowings (due within one year)	(14,607)	(14,525)
Net long term borrowings	<u>155,506</u>	<u>172,874</u>
To protect against foreign exchange risk on certain borrowings, the Corporation has in place deposits with foreign banks amounting to P79,836,033 (2003: P90,502,517) with maturities that directly match obligations of P91,354,680 (2003:P101,214,142) in respect of these borrowings (Note 9).		
The portion of long term borrowings due within one year is included in the balance sheet under current liabilities.		
Borrowings from international agencies are secured by guarantees issued by the Government of the Republic of Botswana. Other borrowings from the Government of the Republic of Botswana are unsecured.		
<b>19 Trade and other payables</b>		
Trade payables and accruals	74,843	44,192
Interest on borrowings	1,271	1,378
Staff costs	19,625	17,136
Retentions	23,487	18,345
	<u>119,226</u>	<u>81,051</u>
<b>20 Advances - consumer financed projects</b>	<u>147,871</u>	<u>130,524</u>
The non-refundable amounts contributed by Government in respect of capital work carried out for extensions are reflected in advances and the related expenditure incurred is set off against these advances as and when incurred.		

# Notes to the Financial Statements

31 March 2004

		2004 P'000	2003 P'000
<b>21</b>	<b>Dividend payable</b>	<u>90,000</u>	<u>8,738</u>
	In compliance with Section 17 of the Botswana Power Corporation Act and with the agreement of Government, a dividend equal to 6% of irredeemable capital for 2003/04 and a special dividend of P81,262,000 has been declared.		
<b>22</b>	<b>Commitments</b>		
<b>22.1</b>	The unexpended approved capital expenditure at the year end was as follows:		
	Approved but not contracted for	55,462	27,458
	Contracted	<u>91,483</u>	<u>38,922</u>
		<u>146,945</u>	<u>66,380</u>
	The Corporation will finance the above expenditure through internal funds.		
<b>22.2</b>	<b>Operating lease commitments</b>		
	The future aggregate minimum lease payments under operating lease agreements are as follows:		
	Within 1 year	2,364	2,737
	After 1 year	<u>2,600</u>	<u>3,011</u>
<b>23</b>	<b>Retirement benefits</b>		
	Contributions during the year	<u>15,473</u>	<u>12,655</u>
<b>24</b>	<b>Taxation</b>		
	The Corporation is exempt from taxation in terms of the Second Schedule of the Income Tax Act.		

# Notes to the Financial Statements

31 March 2004

	2004 P'000	2003 P'000
<b>25</b>		
<b>Contingent liability</b>		
The Corporation has guaranteed the obligation of certain employees under its motor vehicle and residential housing scheme in a total amount of	<u>35,927</u>	<u>27,122</u>

## **26** Financial instruments

The balance sheet includes assets and liabilities in the normal course of business which are reflected at fair values, which are subject to market risks. The fair value of liabilities approximates their carrying value. Details of these assets and liabilities are set out in their respective notes. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The manner in which the risks associated with these assets and liabilities are managed is:

### **Credit risk**

Financial assets of the Corporation which are subject to credit risk consist mainly of bank balances and receivables. Cash resources are placed with financial institutions. These institutions are of high standing. Adequate provision for receivables has been made.

### **Interest rate risk**

The fair values of the fixed investments and borrowings under loan agreements will fluctuate in response to changes in market interest rates. Additionally, relative values of alternative investments, liquidity of the instrument and other general market conditions affect the fair value.

The Corporation manages its cash surplus by ensuring funds are invested in institutions of high standing in a manner to achieve maximum returns while minimising risks.

# Notes to the Financial Statements

31 March 2004

## Foreign exchange risk

2004  
P'000

2003  
P'000

The Corporation borrows from international lending institutions and is exposed to currency risk. Currency exposure to the net assets of the Corporation is managed primarily by holding deposits in foreign banks in the currencies of the borrowings. These arrangements will be in place for the borrowing period. For borrowings made prior to 1993, the currency fluctuation is partially protected by the Government of Republic of Botswana.

## Fair value

At 31 March 2004 and 2003 the carrying values of financial instruments reported in the financial statements approximate their fair values.

## 27 Notes to the cash flow statement

### 27.1 Operating income before working capital changes:

Net profit from ordinary activities	206,006	214,770
Interest received	(152,017)	(122,647)
Interest paid	11,335	10,893
Net profit before interest	65,324	103,016
Adjustments for non-cash items:		
Depreciation	110,284	101,162
Profit on disposal of property, plant and equipment	(2,501)	(1,030)
	173,107	203,148

### 27.2 Dividend paid

Amounts unpaid at beginning of the year	(8,738)	(8,738)
Dividend declared	(90,000)	(8,738)
Amounts unpaid at end of the year	90,000	8,738
Dividend paid	(8,738)	(8,738)

### 27.3 Cash and cash equivalents at end of the year

Bank and cash	100,936	56,417
Bank of Botswana Certificates (note 9)	1,074,602	950,921
	1,175,538	1,007,338

# Schedule of Long Term Borrowing

31 March 2004

SOURCE	% Rate per annum	Period	2004 P'000	2003 P'000
Government of Botswana	6,00	1980/2005	277	404
Government of Botswana	8,00	1982/2007	1,175	1,456
Government of Botswana (funded by Kreditanstalt fur Wiederaufbau)	10,00	1984/2009	5,405	6,486
Government of Botswana	6,00	1979/2009	117	137
Government of Botswana (funded by Kreditanstalt fur Wiederaufbau)	6,00	1981/2007	808	1,047
Government of Botswana	6,00	1979/2004	46	134
Government of Botswana	10,00	1984/2009	11,229	12,698
Government of Botswana	8,50	1986/2011	5,636	6,156
Government of Botswana	8,50	1987/2012	5,765	6,178
Government of Botswana	7,50	1989/2014	14,415	15,293
Government of Botswana (funded by Japanese Overseas Economic Cooperation Fund)	3,75	1986/2016	54,910	57,652
Government of Botswana	7,50	1989/2014	13,656	14,487
Nordic Investment Bank	1,60 -2,00	1993/2012	27,843	32,643
Government of Botswana (funded by Nordic Development Fund)	0,75	1993/2031	22,773	26,144
European Investment Bank	3,25	1995/2008	9,711	11,725
European Investment Bank	3,47	1998/2011	12,531	15,246
European Investment Bank	13,75	1999/2009	18,497	15,456
<b>TOTAL DEBT</b>			<b>204,796</b>	<b>223,342</b>
Total debt comprises:				
Pula denomination			58,531	64,476
Foreign currency denomination			146,265	158,866
			<u>204,796</u>	<u>223,342</u>
Foreign currency denomination is comprised as follows:				
US dollar			9,013	14,692
British pound			129	155
Japanese yen			22,529	27,044
Euro			4,824	1,084
South African Rand			24,653	23,408
			<u>204,796</u>	<u>223,342</u>
Long term borrowings repayment analysed by years:				
2003/04			-	14,525
2004/05			17,390	17,712
2005/06			17,980	12,934
2006/07			18,194	13,490
2007/08 (and after for 2003)			18,516	164,681
2008/09 and after			132,716	-
			<u>204,796</u>	<u>223,342</u>

## Key Business Terms

### **Borrowings/Debt**

All interest bearing liabilities.

### **Operating Profit**

Net profit before deducting finance cost and before adding investment income.

### **Total Assets**

Fixed assets, Work-in-progress, Investments and current assets.

### **Total Liabilities**

The sum of all interest and non-interest bearing liabilities.

### **Current Ratio**

Current assets divided by current liabilities.

### **Cost of Borrowing**

Finance costs expressed as a percentage of average total debt.

### **Liquid ratio**

Current assets less inventory divided by current liabilities.

### **Gearing ratio**

Interest bearing liabilities divided by equity.

### **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.

### **Net Margin**

Net profit after financing costs expressed as a percentage of operating revenues.

### **Operating Margin**

Operating profit after depreciation expressed as a percentage of operating revenues.

### **Return on Capital Employed**

Net profit expressed as a percentage of the average capital employed.

### **Return on Property, Plant and Equipment**

Operating profit after depreciation expressed as a percentage of the average fixed assets.

### **Earning to Irredeemable Capital**

Net profit expressed as a percentage of Irredeemable capital.

### **Dividend to Irredeemable Capital**

Dividend paid 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.

### **System Losses**

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

### **SAPP**

Southern African Power Pool

### **STEM**

Short Term Energy Market