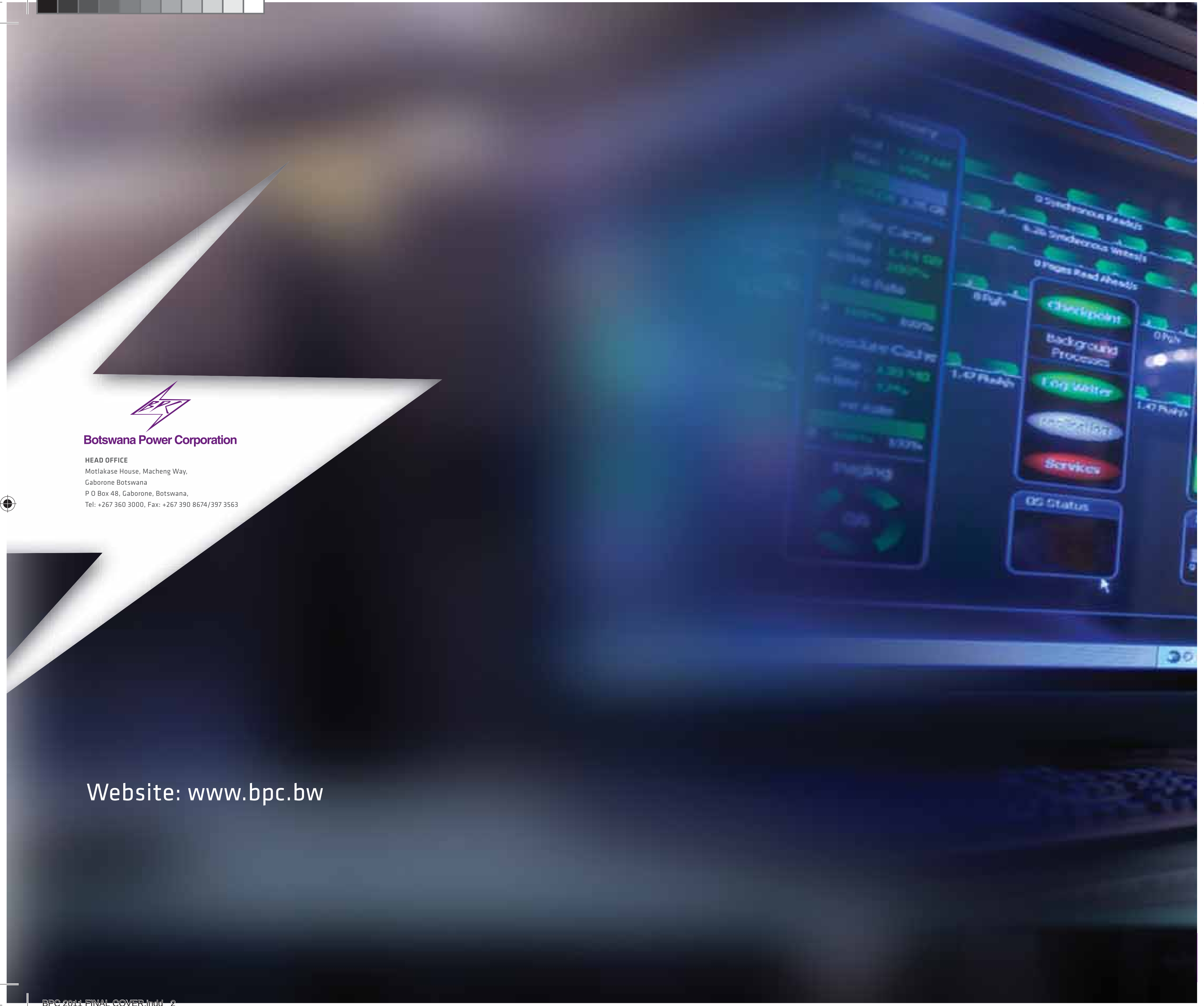

Botswana Power Corporation

HEAD OFFICE
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Tel: +267 360 3000, Fax: +267 390 8674/397 3563

Website: www.bpc.bw

Botswana Power Corporation ANNNUAL REPORT 2011

REPORT 2011

Botswana Power Corporation

EFFICIENCY THROUGH INTEGRATION

Vision

A leading competitive commercial electricity utility in the region.

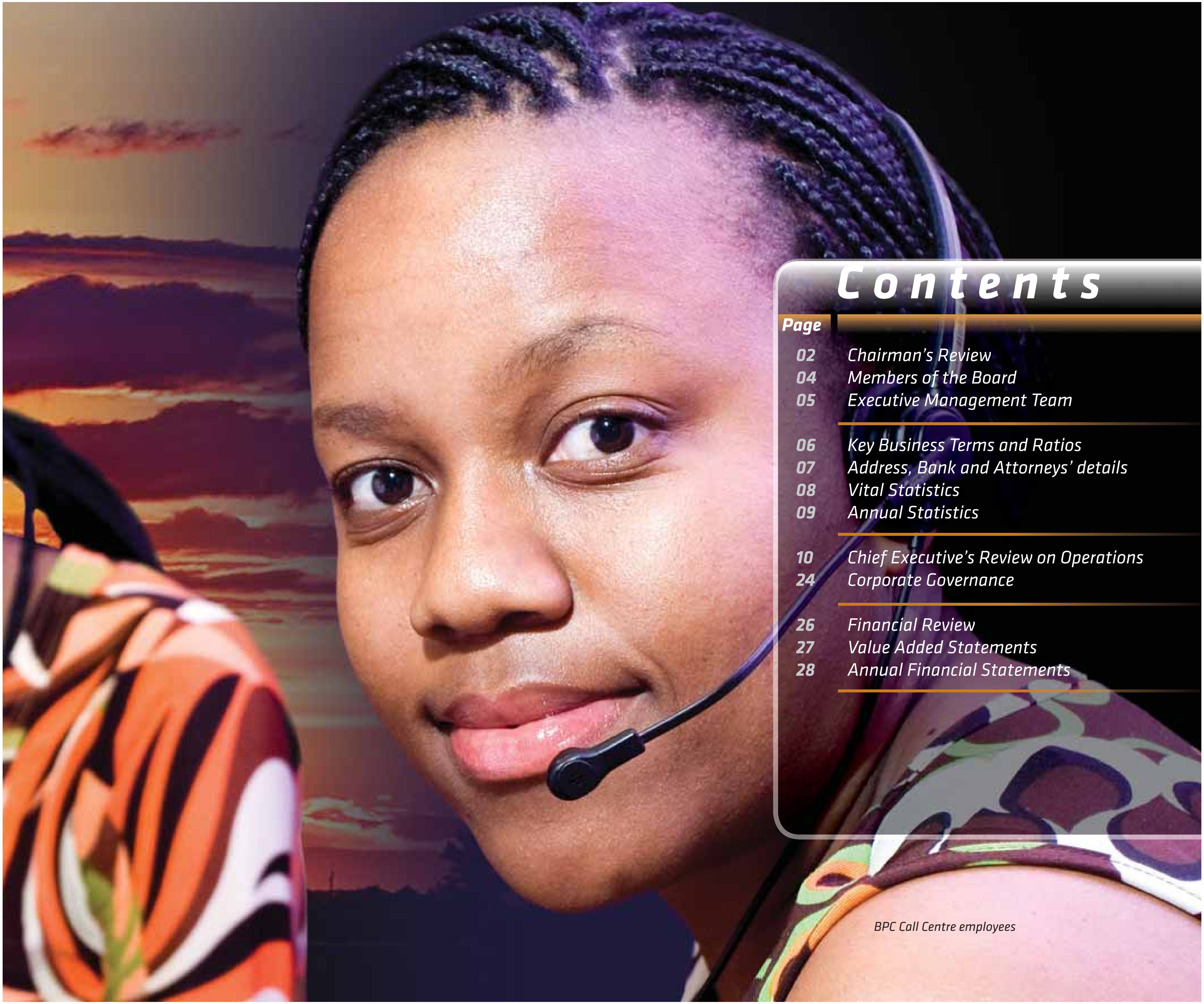
Values

- *Business Excellence*
- *Service Excellence*
- *Performance Excellence*
- *Personal growth*
- *Ethical Business Conduct*
- *A valued citizen*

Mission

To provide efficient, reliable, safe, and environmentally sensitive electricity services to Botswana


‘Facilitating **sustainable**
and **diversified** economic
development’



Contents

BPC Call Centre employees

33%

increase in total revenue to P1,512 million for the year under review

CHAIRMAN'S REVIEW

Pursuant to Section 23(1) of the Botswana Power Corporation Act (Cap 74:01) it is a privilege to present on behalf of the Board the Annual Report for the 2010/2011 Financial Year.

Ms. Ewetse T. Rakhudu,
Chairman of the Board

Delivering the Mandate

The global economic recession came during the time the region was experiencing a deficit in electricity supply and as such national supply security became a priority. Through joint efforts with the Government as well as securing bilateral agreements with regional utilities, the Corporation managed to meet the country's power demand during 2010/11.

For the review period national supply continued to be predominantly sourced through imports, with domestic generation contributing only up to 11%. Eskom (RSA) accounted for 68% and the balance of 21% was secured from the Southern African Power Pool (SAPP) member utilities The supply imbalance is projected to continue until the Morupule B 600MW coal fired power station is commissioned during the next financial year, to bring the security of supply to acceptable levels of self sufficiency.

Customer Focus

The Corporation has persisted in its efforts to enhance its customer service delivery, in recognition that customers are critical to success. The introduction of SAP Enterprise Resource Planning system has assisted the Corporation to streamline its workflow processes by eliminating redundant and manual processes.

It is fully acknowledged that improving customer service communication must be data driven therefore automation of processes and systems through SAP shall support our initiatives in this area.

The Corporation continued to invest in new service centres as well as new technologies. In this regard, an additional retail office was opened in Gaborone, a Hot Water Load Control and Smart Meter Project, which allows for remote reading of meters was also rolled out. Bill payments are now payable through internet and cellphone banking.

Village Electrification

Following successful completion of the hundred villages electrification project, the Corporation continued to implement government programs towards improving access to electricity in rural areas.

The introduction of National Electricity Standard Connection Cost of P5000 in October 2010 has indeed contributed positively to the quality of the lives of Botswana, Rural access rate to electricity went up by 53% during the year to 145 492 households and businesses.

Operational Performance

For the year under review, the total revenue went up by 33% to P1,512 million, which was primarily due to the tariff adjustment of 30% effective May 2010, however the increase remained insufficient to meet the cost of supply. The overall sales units experienced a marginal 0.3% growth, however sales units to the mining and cormmecial sectors experienced a 2.1% and 1.3% decline respectively whilst sales units to the domestic and Government sectors experienced a growth of 5.3% and 0.1% respectively.

Operating costs went up by 25% on average to P2,185 million. This led to the Corporation registering a net operating loss of P153, million net of Government subsidies against P563.6 million in the prior year. The improvement on the loss position was by and large as result of the Government tariff subsidy of P454 million, as well as P206,7 million peaking power funding, also by the Government.

The total comprehensive loss for the year was however reported at P796.6 million against P1,227,6 billion registered in the prior year. Included in the loss for the period is a P744.7 million fair value loss adjustment of the Morupule B loan hedging instrument.

Conclusion

The governance structures of the Corporation remain the backbone in terms of delivering on its mandate. It is in this respect that I thank my fellow Board Members for being resolute in all their endeavors during the most challenging period in the Corporation's history.

May I take this opportunity, on behalf of all stakeholders, and on my own behalf to bid farewell to three of our former Members who retired from the Corporation's Board;

- Mr. Gerald Ndlovu, who served the BPC Board for the period of 1st November 2009 to 14th May 2010;
- Mr. Balisi Bonyongo, having served the BPC Board from 1st December 2008 to 21st February 2011; and
- Mr. Keenlord Dube, who served on the BPC for the period from 1st November 2010 to 29th March 2011.

The Corporation also welcomed two new members, Mr. Geoffrey Bakwena and Ms. Keineetse Lepekoane, both appointed on 1st November 2010.

I wish to take this opportunity to express appreciation to the Board for their invaluable support.

On behalf of the Board and employees of the Corporation I wish to thank the Government for the continuing support to sustain the Corporation, while also faced with competing needs nationally.

I also wish to salute all our valued customers for their support and loyalty and further assure them of our commitment to serve them better.

Last but not least, on behalf of the Board and other stakeholders I would like to thank all the BPC employees for their commitment in providing a very essential service and urge them to strive for excellence.

Ms. Ewetse T. Rakhudu
Chairman of the Board
Botswana Power Corporation

MEMBERS OF THE BOARD


1


2


3


4


5


6


7


8


9

1. E T Rakhudu *(Chairman)*
2. F Motlhatlhedi *(Vice Chairman)*
3. P M Mogatle - Kanedi
4. A Kgosidintsi
5. G Ndhlovu
6. B Paya
7. B Bonyongo
8. K Lepekoane
9. G Bakwena

EXECUTIVE *MANAGEMENT TEAM*

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

11.

1. N J Raleru *(Chief Executive Officer)*
2. A U Joseph *(Generation Director – Late)*
3. E Rugoyi *(Transmission Director)*
4. G Mmola *(Acting Customer Service and Supply Director)*
5. A Motsepe *(Acting Corporate Services Director)*
6. P Dhafana *(Acting Rural Director)*
7. R Mgadla *(Chief Financial Officer)*
8. I Ramalohlanye *(General Manager Human Resources)*
9. D Makepe *(Corporate Secretary)*
10. M Tibe *(General Manager Strategy and Transformation)*
11. K M Mokobi *(General Manager – Internal Audit)*

KEY BUSINESS TERMS AND RATIOS

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
Earning to irredeemable capital.

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
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.

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.

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

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.

ADDRESS, *BANKERS AND ATTORNEYS' DETAILS*

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REGIONAL OFFICES:	**MORUPULE** P/Bag 7 Palapye Tel : (267) 492 0200 Fax : (267) 492 0494 **FRANCISTOWN** P O Box 815 Francistown Tel : (267) 241 3939 Fax : (267) 2412877 **SELEBI-PHIKWE** P O Box 170 Selebi-Phikwe Tel : (267) 2610422 Fax : (267) 2610407
BANKERS:	Barclays Bank of Botswana Limited Barclays House P O Box 478, Gaborone Standard Chartered Bank of Botswana Limited P O Box 496, Gaborone First National Bank of Botswana Limited P O Box 1552, Gaborone Stanbic Bank of Botswana Limited Private Bag 00168, Gaborone
ATTORNEYS:	Armstrongs P O Box 1368, Gaborone Collins Newman P O Box 882, Gaborone Minchin & Kelly P O Box 1339, Gaborone
AUDITORS:	Deloitte & Touche P O Box 778, Gaborone

VITAL STATISTICS 2010

	2011	2010	2009	2008	2007	2006	2005
Electricity Revenue Sales (P'000)	**1,512,236**	1,135,474	1,069,559	938,555	819,680	714,809	633,887
Revenue Grant from the Government of Botswana (P'000)	**454,000**	-	-	-	-	-	-
Net profit/(Loss) (P'000)	**(796,620)**	(1,572,169)	(133,623)	111,143	101,305	120,718	216,585
Return on revalued fixed assets (%)	**-6%**	-11%	-9%	-2%	-2%	-1%	4%
Total unit sales (GWh)	**3,118**	3,151	2,917	2,889	2,777	2,626	2,416
Total generation (sent out) and imports(GWh)	**3,617**	3,414	3,369	3,210	3,120	2,917	2,731
Head count	**2,188**	1,841	1,901	2,010	2,015	2,091	2,111
Total consumers	**251,773**	214,170	198,615	196,755	166,651	151,800	136,216
Plant capacity (MW)	**132**	132	132	132	132	132	132
System maximum demand (MW)	**553**	553	503	493	473	434	402
Average selling price per unit (Thebe/kWh)	**48**	36	36	31.7	28.7	26.3	25.3

KEY ANNUAL STATISTICS

	2011	2010	2009	2008	2007	2006
Revenue (P'000)	1,512,236	1,135,474	1,069,559	938,555	819,680	714,809
Revenue Grant from the Government of Botswana (P'000)	454,000	-	-	-	-	-
Operating profit/(loss) before Revenue Grant (P'000)	(607,026)	(563,573)	(376,430)	(85,767)	(63,414)	(27,098)
Operating profit/(loss) after Revenue Grant (P'000)	(153,026)	(563,573)	(376,430)	(85,767)	(63,414)	(27,098)
Net profit/(loss)	(796,620)	(1,572,169)	(133,623)	111,143	101,305	120,718
Capitalisation (P'000)						
Long term debt	4,154,439	1,460,764	119,209	135,803	130,163	135,822
Net assets	5,117,891	5,269,867	6,466,499	5,069,837	4,720,903	4,582,454
Capital expenditure and WIP	3,930,033	3,086,888	1,211,301	628,114	168,888	226,778
Electricity (GWh)						
Source						
Morupule	437.1	532.1	620.7	697.0	821.5	977.1
Station usage	66	74.8	71.0	66.5	95.4	110.8
Sent out	371.5	457.3	549.7	630.5	726.1	866.3
Purchased	3,180.1	2,984.5	2,748.5	2,585	2,393.6	2,050.4
Total sent out and purchased	3,551.6	3,441.8	3,369.2	3,215.8	3,119.7	2,916.7
Sales disposition (GWh)						
Mining	1,117.1	1,141.2	1,123.2	1186.2	1,199.0	1,184.3
Commercial	820	830.7	734.6	683.9	634.0	631.1
Domestic	873	829.1	768.7	745.1	681.7	584.4
Government	308	307.5	290.4	273.5	262.0	226.6
Total sales	3,118.0	3,108.5	2,916.9	2,888.7	2,776.7	2,626.4
Transmission and distribution losses (GWh)	433.6	333.3	381.3	327.1	343.0	290.3
System losses (%)	12	10	11.6	10.2	11.0	10.0
Total consumers	251.773	214,170	198,615	196,755	166,651	151,800
Sales growth (%)						
Mining	-2.1	1.6	-5.0	-1.07	1.24	13.16
Commercial	-1.3	13.1	7.4	7.9	0.5	2.9
Domestic	5.3	7.9	3.1	9.3	16.6	8.4
Government	0.1	5.9	6.2	4.39	15.62	4.47
Total sales growth (decline)	0.3	6.6	1.0	4.0	5.7	8.7
Average selling price (thebe)	48.0	36.0	36.0	32.0	31.0	26.0
Earning ratios (%)						
Net margin	(0.53)	(138.00)	(12.2)	11.8	12.4	16.9
Earnings to irredeemable capital %	(0.07)	(34.4)	(8.1)	76.3	69.6	82.9
Return on total average assets employed (%)	(0.01)	(3.8)	(1.8)	1.81	1.83	2.6
Operating loss to revenue (%)	(0.1)	(48.8)	(35.2)	(9.1)	(7.7)	(3.8)
Return on revalued Property, Plant and Equipment (%)	(0.01)	(7.8)	(9.25)	(2.27)	(1.86)	(1.0)

14.2%

decrease in total output generated

CHIEF EXECUTIVE'S REVIEW ON OPERATIONS

Generation

During the year under review, Morupule A Power Station, which is the only owned generation source, continued to operate as a base load station to partly meet the national peak demand which is currently at 553MW.

The facility is a 132MW thermal dry cooled power station which was commissioned in 1986 with a sent out capacity of 120MW, and has since reached the late years of its useful life

Mr. N J Raleru,
Chief Executive Officer

Plant Operation and Maintenance

Included in the Corporation's key strategies to manage the national security of supply is the refurbishment of Morupule Power Station, after 24 years of operation, in order to restore its dependable capacity to 100MW (sent out capacity) by 2012/13. Through bilateral collaboration between the Government of Botswana and that of Japan, the Japan International Cooperation Agency (JICA) is undertaking a refurbishment feasibility study which is planned to be completed by the end of 2011.

During the year under review the plant continued to experience operational and maintenance challenges, which negatively affected plant performance in terms of availability and generation output. On average plant availability was 40% (40MW).

In terms of the generation system performance during the period, a total of 437.1 GWh was produced with 371.5 GWh sent out to the National Grid. This output compared with 532.1 GWh generated and 457.3 GWh sent out in the previous year, represents a decrease of 14.2%. Total cost per unit generated was 81.66 thebe per kWh compared to 72.07 thebe per kWh of the prior year.

In the previous year the Corporation, through internal funding, embarked on a phased refurbishment programme on critical components of the plant, which started with the pollution abatement equipment. The first two units have already been completed and work on the remaining two is planned for completion during the next financial year.

Other major works included turbine and generator repairs as well as conversion of the ignition system in one of the boilers to gas. This has had a positive impact on cost of operation, and the plan is to extend the conversion to the other boilers.

Environmental Management

In terms of waste management, a total of 4,830 tonnes (2009/10: 37,167 tonnes) of fly Ash were disposed through sales to a local cement manufacturer. A new ash dumping site has been identified near the existing one, and along with the integration of the new site to the existing disposal system, a rehabilitation of the current dump site is being planned for the coming financial year. A waste management plan has been developed in line with the framework of the Department of Environmental Affairs.

In regard to emission levels, the sulphur dioxide levels are just within the limit of statutory requirements and long term compliance enforcement plans are being developed. Boiler combustion has resulted in 535,087 mg/Nm^3 and 3 411 mg/Nm^3 of Carbon Dioxide and Sulphur Dioxide emitted into the atmosphere respectively.

An Environmental Management Plan (EMP) for the plant has been submitted and approved by Department of Environmental Affairs and implementation is in progress.

In collaboration with the World Bank, the procurement process for an air quality monitoring network is underway, with the network planned for implementation during the next financial year to cover both the existing Morupule Power Station and the Morupule B, which is currently under construction.

The total raw water used for the year stood at 570,695 m^3 against an abstraction of 659,647 m^3, compared to the 2009/10 usage of 393 188 m^3. The raw water usage increased due to supply to the Morupule B Power Project, during the periods when the North South Carrier was not available.

4,8%

growth over the total system energy sent out in 2010 (3,453 GWh)

TRANSMISSION

Supply Security And System Performance

The security of supply continued to be compromised during the year under review due to inadequate domestic generation capacity coupled with reduced and non firm power imports. Notwithstanding the tight supply situation, the Corporation, through use of a local rented 70MW diesel fired emergency power facility in Matshelagabedi and demand side management strategies, was able to limit the energy not served due to capacity shortfall to 3.2GWh or 0.1% of the total system energy demand.

In an effort to meet the national demand with the current peak at 553 MW, the Corporation, with support from Government of the Republic of Botswana, will be acquiring a 90MW new generation capacity by mid 2011 from a project being implemented under a public-private sector build and transfer partnership between the Government of Botswana and Debswana. Based on the projections the commissioning of Morupule B 600MW coal fired power station during the next financial year will restore security of supply to reasonable levels by the end of the current calendar year.

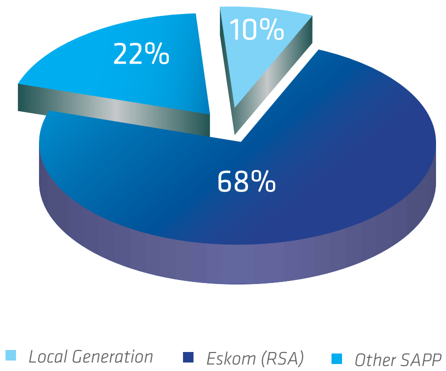
In terms of the dispatch the bulk of energy demand continued to be met through electricity imports from Eskom of South Africa, which supplied 2,406 GWh, representing 68% of the total system energy demand. The balance of the total system energy demand, 1,140 GWh (32%), was supplied from the domestic source Morupule Power Station, imports from Nampower of Namibia, Electricidade de Mocambique (EDM), Societe Nationale d'Electricite (SNEL) of the DRC and the local rented 70MW emergency power facility.

The total electrical energy sent out during the period under review was 3, 617 GWh, representing a 4.8% growth over the total system energy sent out in 2010 (3,453 GWh). The domestic sources, being Morupule Power Station and the rented 70MW emergency power facility provided 11.6% of the total energy sent out, while imports, from South Africa (in the main) and other Southern African Power Pool Members constituted 88.4% of the energy sent out.

Transmission system technical losses for the year were at 5% of the sent out energy.

The composition of sources of supply is depicted in Chart 1 below.

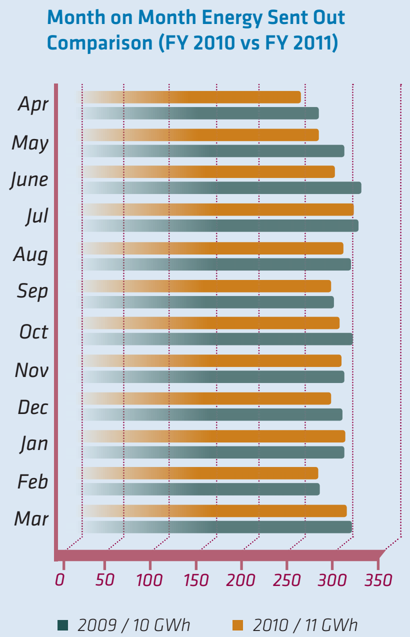
Chart 1: Sources of Supply 2011



The system maximum demand for the year under review remained at 553 MW, being the same level as the previous year, which is primarily on account of the 1 million Compact Fluorescent Lamps (CFL) demand management initiative coupled with the positive customer response to demand reduction publicity campaigns by the Corporation.

A comparison of the energy delivered and system maximum demand for the year under review (FY2011) and previous year (FY2010) is shown in the charts 2 & 3 respectively.

Chart 2: Monthly Energy Demand Comparison 2010:2011



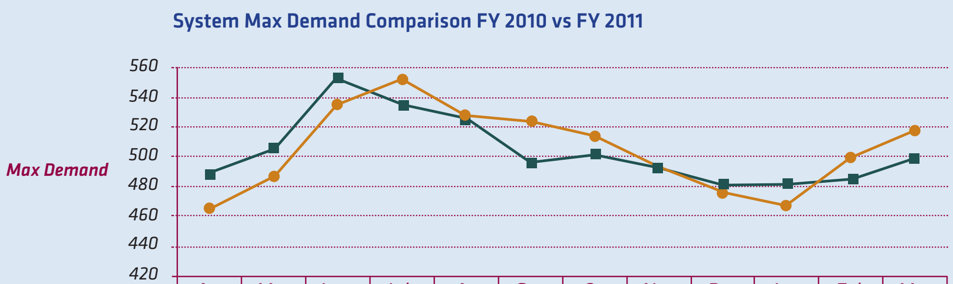
In terms of system performance, the transmission network remained fairly stable. A total of 311 faults were experienced on the transmission network with the majority of the faults occurring between October and March during which period thunderstorms were prevalent throughout the country. Equipment malfunction also contributed to grid disturbances during the financial year under review.

The above mentioned faults accounted for 51% of the total un-served energy (12.2GWh) during the year while the balance, 49% was due to planned outages and supply shortfall. The recorded faults and supply curtailment to facilitate planned maintenance resulted in 1,326 system minutes (22.1 Hrs) being lost due to faults and planned maintenance.

Transmission Infrastructure Development

To maintain reliability of supply through investment in infrastructure development and providing firm capacity, the Corporation completed five transmission projects valued at BWP 133 million, namely Airport Road, Molepolole, Segoditshane, Kgale View new 132kV substation and Orapa No.2 switching station during the financial year under review.

Chart 3: Monthly System Maximum Demand Comparison 2010:2011



	Apr	May	June	July	Au	Sep	Oct	Nov	Dec	Jan	Feb	Mar
FY 2010	466	487	535	553	528	524	514	494	477	467	500	518
FY 2011	489	505	553	535	526	496	501	493	481	481	485	500

TRANSMISSION
(Continued)

In addition, to enhance power supply in the Lobatse area and its environs, an infrastructure development project of up to P11 million is being undertaken. Furthermore, two customer funded projects valued at P74 million for Jwaneng capacity increase and grid access to AK06 and BK11 are scheduled for commissioning in the second quarter of the next financial year.

The next planned major investments in transmission infrastructure include extension of the high voltage transmission grid to the Northwest part of the country and the reinforcement of transmission infrastructure in the Southern area covering Gaborone and its environs, Thamaga, Molepolole and Lobatse.

Regional Co-operation - Southern African Power Pool

In the quest to contribute to the development of the Southern African Power Pool (SAPP), to which the Botswana Power Corporation is an operating member, the Corporation continued to play a key role in developing various trade protocols and instruments which are aimed at enhancing regional electricity trade in Southern Africa.

Notable achievements of the SAPP during the year under review include the following:-

- Launch of the SAPP Day Ahead Market (DAM), a successor of the SAPP Short Term Energy Market (STEM);
- Formulation of the SAPP Market Guidelines and Surveillance Mechanism;
- An interim transmission pricing and prioritization mechanism; and
- Revision of the SAPP Operating Guide Lines.
- Undertaking a benchmark project on commercial and operational performance assessment for selected SAPP Power Utilities members to determine the level of efficiency and also to facilitate credit rating of the utilities.

CUSTOMER SERVICES AND SUPPLY

Service Delivery

The Corporation's initiatives towards customer service improvement during the period under review remained key in the Corporation's strategic priorities. These initiatives included amongst others:

- Resourcing the interim call centre for faults and increasing the number of fault crews, which has started to pay dividends, particularly on improved response times to faults.
- A new cash office was opened for business in Gaborone Game City shopping center to service the western part of the city, with another one scheduled to be opened during the first half of the coming financial year to service northern parts of the city
- Extension of payment channels primarily for customers convenience and for effective credit control. These include online bill payments, direct debits and payments via cell phones.
- Increasing the number of prepaid vendors across the country by 7, bringing the total to 121 as at 31 March 2011.
- Implementing SAP Enterprise Resource Planning to integrate billing processes and revenue management.
- Implementation of the Hot Water Load Control and Smart Meter Project to enable the remote management of meters, hence improvement on customer billing. In addition, the system will reduce the extent of load shedding by remotely switching off geysers as a first option during periods of power shortage.

In regard to growth on the customer base, the number of new connections for the period under review totalled 37,603 (2010: 15,555). Up to 94% of the new connections in the current year relate to domestic customers. The total number of customers increased to 251,773 (2010: 214, 170) representing an 18% increase compared to an 8% increase experienced in the last financial year.

Private Sector Participation On Distribution Works.

To execute its mandate of providing electricity, the Corporation incorporated in its strategies private sector participation in the construction of the electricity distribution infrastructure. It has been almost 20 years since the Corporation adopted a strategy to outsource the development of its network to the private sector. This was primarily to take advantage of efficiencies in the private sector and to encourage citizen economic empowerment.

The program remains a platform towards the fulfilment of the Economic Diversification Drive as there are incentives incorporated, which include among others, Local Procurement Preference.

The framework of the program entails periodical prequalification of competent consultants and local contractors to undertake the implementation of projects financed by either the Corporation or its customers. The initiative continues to be of value add not only in improving service delivery but also in empowering the small to medium scale businesses to participate in the electricity industry.

For the year under review the total number of consultants in the program remained at seven, the same as for the past financial year due to the prequalification being for two years, six of the consultants are 100% local owned companies. For the contractors undertaking the works, the number increased from twenty-three to twenty nine.

RURAL ELECTRIFICATION

Access To Electricity

The Government funded 100 Villages Electrification Project was completed in February 2011 bringing the total electrified villages in the country to 350. In line with the objective of increasing access to electricity, Government further funded additional network extension projects worth P34,7 million which commenced with 11 villages for completion by August 2011. These villages are Modipane, Metsimotlhabe, Kumakwane, Letlhakeng, Gabane, Pilane, Letlhakane, Kopong, Shashe Bridge, Otse and Mogobane.

During the period under review, rural access to electricity increased to 52.95% (2010: 50.8%). Chart 4 below shows the electricity access levels per district for the financial years 2009/10 and 2010/11, which reflects the South East District as having the highest access rate at 90.61% while the lowest was Ngamiland District at 42.25%.

Chart 5 shows the electricity connection patterns per district. Out of a total rural customer base of 145,492, domestic customers constitute 138,217 while 7, 275 are other categories that include business customers. Chart 5 shows that Central District has the highest number of connections, followed by Kweneng with the lowest being Chobe District.

National Electrification Fund

Having recognized that one barrier to accessing electricity in the rural areas is high connection costs, which varied within different villages, the Government introduced a uniform standard connection cost of P5,000 which came into effect in October 2010. The scheme is financed through a National Electrification Fund (NEF) which is funded through a 5 thebe levy per unit consumed. As at 31st March 2011, up to 6,892 customers had benefitted from the scheme for total cost of connection amounting to P124,6 million with the fund having accumulated approximately P149,5 million.

***Chart 4** : Electricity access levels per district for 2009/10 and 2010/11 financial years*

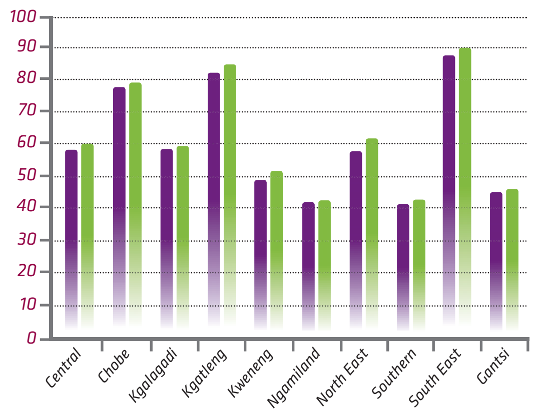
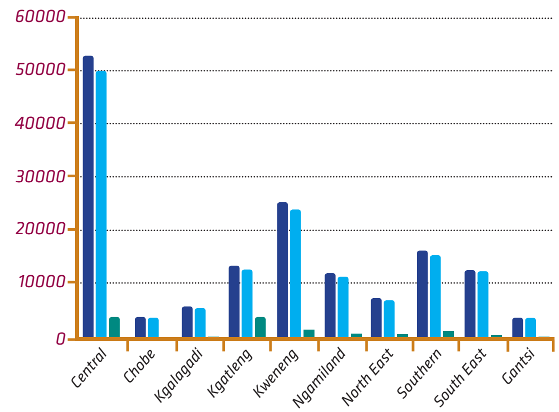


***Chart 5** : Electricity connection levels per district as at 31 March 2011*



Cross Border Supplies

Due to the country demographics, some of the rural villages cannot be supplied from the national grid and as such bilateral agreements are entered into with the neighbouring countries to connect such villages.

During the period under review, the total cross border points were at 39 with total supply of 56.3 GWh (2010: 56.8 GWh) and seven (7) additional cross border points are expected within the next financial year.

Renewable Energy Initiatives

The Corporation through its subsidiary, BPC Lesedi, continued to roll out renewable energy products and services. This was achieved through a franchising business model which saw seven franchisees being recruited in Gaborone and Maun regions. As at the end of March 2011, BPC Lesedi had sold 200 solar home systems, 330 efficient cooking stoves, 280 rechargeable lanterns and 11 heat retention bags (hot bags). Three (3) recharging stations were also operational in the villages of Kgope, Dikgatlong and Medie.

10.8%

increase in vandalism incidents compared to 2010

CORPORATE SERVICES

RISK MANAGEMENT:

During year under review the Corporation implemented the Enterprise Wide RISK Management (EWRM) strategy and policy framework. The EWRM framework is aligned to best practice models including the COSO model, King 11 & 111 as well as the ISO 31000 standard.

The following were attained during the period under review:

- A working EWRM Framework and Policy
- Corporation Strategic Risk Register, highlighting 10 significant risks with associated Risk Owners
- Business Units operational Risk Registers

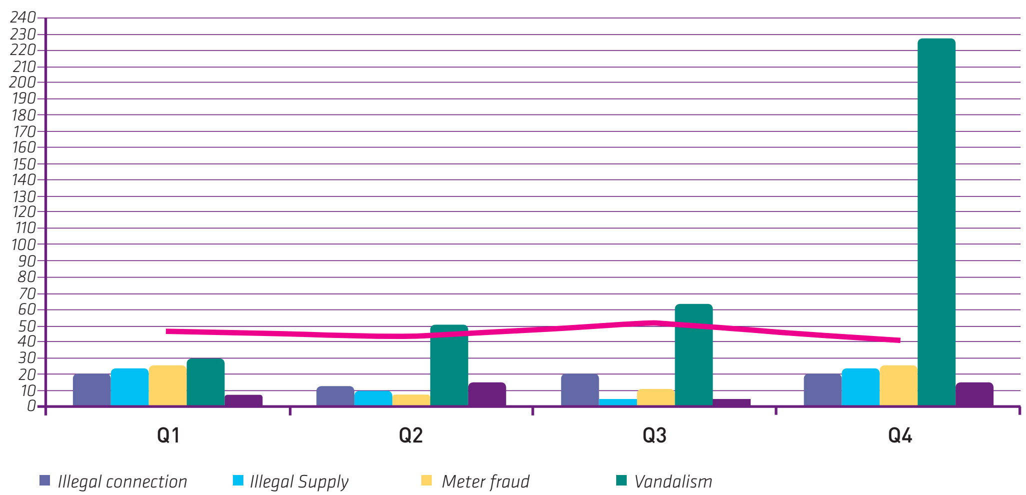
LOSS CONTROL AND SECURITY

Vandalism & meter fraud incidents continued to be a challenge as evidenced by the statistics below. However, collaboration with other stakeholders including the law enforcement agencies is maintained and different technology solutions are currently being investigated in this endeavour. The Corporation has recorded 365 (2010: 331) vandalism incidents which represent a 10.8% increase. Below is a breakdown of incidents by regions:

Table 3 *:Incidents by regions:*

	Vandalism	Meter Fraud	Illegal Connection	Illegal Supply	Damage by 3rd Party
Southern region	104	35	42	25	27
Central region	24	15	9	18	10
Northern region	237	2	5	9	5

Chart 6 *:Vandalism and fraud related incidents countrywide - 2010*



Safety, Health and Environment (SHE)

SHE programs were launched at a number of centres, during this review period, amongst others were the Customer Service Centre in Francistown and NSS-South & North. The Corporation values the importance of SHE issues for all its employees and during the period under review, efforts continued to step up such awareness through a variety of programs as indicated below:

Table 4: *SHE Training Programs*

Course	Southern Region	Central Region	Northern Region	Total
Basic Fire Fighting	0	53	0	53
Workplace Fire fighting Training Course	12	0	33	45
Safety and operation of fire equipment	0	24	0	24
First Aid Training	20	20	20	60
Introduction to Safety Management training Course (SAMTRAC)	1	0	0	1
Defensive Driving	0	19	0	19
SHE Rep	0	0	20	20
HIRA (Hazard Identification & Risk Assessment	20	0	20	40
Incident Investigations	0	0	20	20
SHE Management Training	0	0	12	12
Grand Total				***294***

The numbers of disabling injuries has fairly decreased and this is attributable to the accident reduction plan instituted during the year under review.

Below is a Safety Statistics table depicting the total man-hours worked without a Disabling Injury for the period under review which stood at 10,484,400 hours.

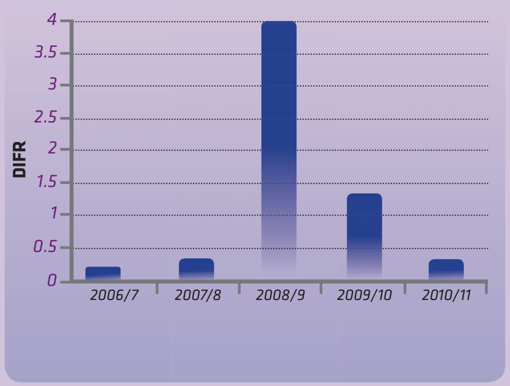
Table 5: *Safety Statistics table*

Employee Safety	*Year to Date*
Lost Time Injuries (employees)	17
Non Lost Time Injuries (Employees)	33
Fatalities (Employees)	1
Total Man-hours worked without a DI	10,484,400
Contractors Safety	
Electrical Contact Injuries	1
Fatalities	2

(LTIFR) Lost - Time Incident Frequency Rate to date is

$$\frac{17 \times 200{,}000}{10{,}484{,}400 \text{ total man-hours worked}} = 0.32$$

Chart 7: *Disabling Frequency Rate*



CORPORATE SERVICES
(Continued)

CORPORATE SOCIAL RESPONSIBILITY

The Corporation has continued to strengthen its corporate citizenship by playing a key role in keeping the various stakeholders informed about its services.

During the year under review, the Corporation continued to play a major role in the improvement of the lives of the communities that it conducts its business in. These initiatives were all guided by the Vision 2016 pillar of "A Compassionate, Just and Caring Nation", which predominantly involved participating in and sponsoring charitable trusts as per the following list:

- Masiela Trust Fund,
- University of Botswana's International Association of Science and Technology Development conference
- Botswana Institute of Engineers
- Somarelang Tikologo
- Kalahari Conservation Society
- Annual Bosele Marathon in Selebe Phikwe
- The Corporation in partnership with APR Energy and Garrick Operations donated 39 computers and a network printer to Matshelagabedi Primary School

The Corporation continued to actively participate in the National Consumer Fair in major cities not only to educate stakeholders about its services but most importantly to reinforce the energy conservation and demand management initiatives. From the two consumer fairs in which the Corporation participated, it competed fairly well with other sectors, resulting in winning first prize in the parastatals category for Gaborone, and the second prize for the annual Francistown BOCCIM fair.

The Corporation's theatre intervention group performed in a number of places to educate members of the public on social and health issues through drama, the group covered Kang, Werda, Mmopane, Lobatse and Gaborone.

The drive to support the Vision 2016 pillar of, "providing a Safe and Secure Nation" continued to be done through deployment of employees at the various nationwide road safety campaign sites during public holidays.

The free installation of Compact Fluorescent Lamps (CFL's) in households and institutions also continued during the period under review with a total of approximately 820, 000 CFLs having been installed as at year end, thus saving consumers money and managing the demand on the already constrained power supply.


NATIONAL ELECTRICITY EFFICIENCY CAMPAIGN
Managing power the smart way!
Hot Water Load Control (HWLC) project
BOTSWANA POWER CORPORATION
SMART METER

27%

site construction progress reported as projected

CHIEF EXECUTIVE'S REVIEW ON OPERATIONS (CONTINUED)

STRATEGIC PROJECTS - MORUPULE B

The Construction of the Morupule B Power station, a 4 X 150 MW coal fired facility remained an area of focus during the year under review. The main site construction activity which started in the previous financial year progressed well within the set time lines during the report period. The site has seen a steady increase in construction staff in 2011 to meet the project schedule with 970 Chinese nationals and 656 citizens on site as at March 2011.

Some schedule setbacks were encountered during 2011 mainly as a result of labour unrest in South Africa and inclement weather in Asia. These events caused considerable delays to the delivery of structural steel and equipment to site which impacted on site progress. However, concerted efforts have been made to mitigate any delays to the schedule and as at the end of March 2011, site construction progress was reported at a planned 27% complete.

The 400kV transmission lines from Morupule B to Phokoje and Morupule B to Isang together with the new Isang 400kV / 220kV substation were approved for construction during the financial year and construction at all of these sites is in progress.

The five kilometer water supply pipeline project from Morupule Colliery Limited entered into the construction phase during the reporting period and progressed well, with the project for the equipping of the Mmoshoro wellfield and the associated eighty (80) kilometer water supply pipeline to Morupule B has entered the final procurement processes.

While the project has fairly advanced within the set time lines, quality assurance remains top of priority at all stages. The quality assurance service for both the detailed design and site construction continued to be under the supervision of Fichtner, the Corporation's "Owner's Engineer". To enforce quality from beginning to end in the supply chain of the project Fichtner Taiwan was also appointed in April 2010 to provide third party quality inspection services during the manufacture of all major equipment in China. The services include the confirmation of material specifications and witnessing of quality hold points during the manufacturing process to meet the contractual specifications. These inspection services continued throughout 2011, and the majority of the equipment has already been delivered.

Preparations for commercial operations of the power station have also been conducted during the year, with forty permanent employees having been appointed to Morupule B. These forty staff together with four training instructors from Morupule A station visited China from October 2010 for a ten week intensive training programme. The well structured training programme included theoretical, practical and simulator training for the officers, and all the officers passed the associated competency based tests. This training will be followed up in Botswana during the next financial year with continuous refresher training for existing employees and a full training programme for newly appointed staff.

HUMAN RESOURCES

The Human Resource Strategy for the Corporation is premised mainly on the following focus areas:

1. Organisational Development
2. Efficient Human Resources Operations
3. Employee Relations, Wellness and Welfare

The Corporation continues to provide for the welfare of its staff through various wellness initiatives including among others:

- HIV and AIDS interventions at the workplace
- Enhancement of employee access to medical care by increasing medical aid service providers from one (1) to three (3)
- Close monitoring of employee health to prevent occupational diseases and injury
- General psychosocial support services being availed to employees on regular basis

Employee strength at year-end was 2,188 (inclusive of Morupule 'B' staff who are still involved in the plant establishment phase), against a complement of 1,859 in the previous financial year. The increase in establishment is attributed to resourcing the Morupule B Power Station and readying it for operation. The staff turnover during the 2010/11 financial year was 2.47% compared to 5.43% in the previous year.

CORPORATE GOVERNANCE

BPC adheres to the Corporation's founding legislation – the Botswana Power Corporation Act (Chapter 74:01), the Laws of Botswana, common law provisions of corporate law and internationally accepted standards of good corporate governance. Good corporate governance still remains a fundamental part of the culture and the business practices of BPC.

The Board

The Botswana Power Corporation Act provides that the membership of the Corporation Board shall consist of a Board Chairman and no more than eight nor less than six members. The Minister of Minerals, Energy and Water Resources appoints Board Members and charges the Board with the responsibility of setting the direction of the Corporation's affairs.

During the year under review the Botswana Power Corporation Board was constituted of the following members;

Member	Position	Date and Period of Appointment
Ms Ewetse T Rakhudu	Chairman	1st October 2008 to 30th September 2011
Mr. Freddie O Motlhatlhedi	Vice-Chairman	1st October 2010 to 30th September 2014
Mrs. Parma Kanedi	Member	1st October 2010 to 30th September 2014
Ms Audrey Kgosidintsi	Member	1st November 2009 to 30th October 2013
Mr. Geoffrey Bakwena	Member	1st November 2010 to 30th October 2014
Ms Keinnetse Lepekoane	Member	1st November 2010 to 30th October 2014
Mr. Boikobo Paya	Member	1st December 2008 to 30th November 2012
Mr. Balisi Bonyongo	Member	1st December 2008 to 21st February 2011
Mr. Keenlord Dube	Member	1st November 2010 to 29th March 2011
Mr. Gerald Ndlovu	Member	1st November 2009 to 14th May 2010

All the Board members are non-executive directors. The role of the Chairman and the Chief Executive Officer are held by two separate individuals.

The BPC Act provides that the Board should meet at least four (4) times a year. The Board met eight (8) times during the year under review to consider various strategic, policy and other matters having a material effect on the Corporation's affairs. The Board has adopted a Board Charter that details the functions and responsibilities of the Board.

Board Committees

Section 12 of the Botswana Power Corporation Act empowers the Board, by resolution, to delegate to any Board Sub-Committees the exercise of any of its powers.

Accordingly the BPC Board currently has the following Sub-Committees to support the discharge of its functions;

1. The Board Finance and Audit Committee

The Chairman of the Board Finance and Audit Committee was Mrs. Parma Mogatle-Kanedi.

The purpose of the Board Finance and Audit Committee is to assist the Board's oversight of;

- The integrity of the Corporation's financial statements, systems and records
- The Corporation's financial strategy and objectives
- The Corporation's compliance with legal and regulatory requirements
- The external auditor's qualifications, independence and performance; and
- The performance of the Corporation's internal audit function

2. The Board Procurement and Tender Committee

The Chairman of the Board Procurement and Tender Committee was Mr. Freddie Motlhatlhedi.

The BPTC considers recommendations arising from tender adjudications and awards tenders for the procurement of goods and services for amounts in excess of Two Million Five Hundred Thousand Pula (P 2 500 000.00).

3. The Board Human Resources Committee

The Chairman of the Board Human Resources Committee was Ms. Audrey Kgosidintsi.

The Board Human Resources Committee has the mandate to carry out, inter alia, the following;

- To consider and recommend to the Board human resources strategies and policies;
- To make recommendations for consideration by the Board pertaining to the appointment executive management;

Internal Audit

BPC has an Internal Audit function charged with providing independent assurance to the Board Audit and Finance Committee that;

- Internal controls are in place, and are adequate to mitigate the risks,
- Governance processes are effective and efficient, and
- Organizational goals and objectives are met.

The Internal Audit function operates through an Internal Audit Charter and reports directly to the Board Audit and Finance Committee functionally with a dual administrative reporting to the Chief Executive Officer. Quarterly reports are tabled by Internal Audit for deliberation by Members at their quarterly sittings.

During the year under review, Internal Audit established a Fraud and Ethics hotline. This provides protection for employees who report incidents of fraud, unethical conduct and other adverse behaviors that affect reputation of the Corporation. To ensure confidentiality and anonymity of the whistle blower, an independent service provider manages the reporting part and provides information (through reports) to the Corporation for further investigations. The Service provider ensures that complaints involving senior management are automatically directed to Board Audit and Finance Committee without any filtering by management or other internal staff. Results of investigations are reported to the Board Audit and Finance Committee on a quarterly basis. These are also communicated to staff through available media.

37%

further increase in total assets

FINANCIAL REVIEW

During the period under review the Corporation's financial performance recorded an operational loss of P153.03 million net of Government tariff subsidy of P454 million and P206.7 million funding towards emergency power costs compared to P563.6 million recorded in 2010. The improvement was also among other factors, attributable to a 30% tariff adjustment effected from May 2010 which mainly contributed to an increase of 34% (P345 million) electricity sales revenue to P1,498 billion.

Total operating expenditure amounted to P2,174 billion out of which P1,964 billion relates to direct cost of sales, being the generation, transmission and distribution of electricity. For the year under review a total of P1,363 billion (96% of direct costs) was incurred in power purchases of which P206,7 million was paid for by the Government through an emergency power grant. There has been an overall 24% (P419 million) increase in operational expenditure out of which P413 million relates to an increase in Generation, Transmission and Distribution expenses.

Other income which incorporates among others profit on sale of material to Distribution Works Contractors and interest on scheme loans amounted to P54,9 million declining by 3% from P56,4 million registered in the prior year.

Finance income experienced a sharp decline from P128,8 million recorded in 2010 to P48,6 million. This income is earned mainly from fixed deposits placed with local banks. The decline in interest income is mainly attributable to comparatively lower interest rates during the year averaging at 6% and cash balances in investment that prevailed during the year under review compared to 2010. A total of P265,5 million was held in fixed deposits as at 31st March 2011 compared to a P688,4 million held as at the same period of the prior year. The decline is due to negative operational cash flows and funding of capital projects under implementation.

Financial Position

Total assets increased further by 37% following a 27% increase recorded in the prior year and once again, the increase is largely driven by Morupule B Work In Progress. This accounted for 99% (P3,355 billion) of the P3,367 billion increase in total non-current assets, which close the year at P12,636 billion.

Current assets increased from P1,321 billion to P1,189 billion. Among others, trade receivables increased by 47% from P128 million to P188.3 million net of impairment provision amounting to P147,1 million (2010: P37 Million). Up to 35% (P59,7 million) of the increase in gross trade receivables is attributable to a growth in revenue base. Bank and cash balances held as at the end of the year were at P914,9 million, this high level of cash is mainly attributable to project funds remitted by a third party lender and a P454 million tariff subsidy received from Government on the 30th of March 2011.

Shareholders' funds were reported at P5,11 billion, experiencing a P152 million decline from the prior year. Although there was a significant additional P654 million contribution to equity by the Government, the amount was significantly offset by the P796.6 million total comprehensive loss for the year.

Non Current liabilities increased by a significant P2,762 billion to close the year at P5,683 billion. This increase is mainly accounted for by new loans of P2,694 billion drawn down under the Botswana Government Guaranteed Export Credit Facility Agreement ('ECFA') between the Corporation and the Industrial and Commercial Bank of China (ICBC).

Current liabilities recorded a 53% (P1,256 billion) increase, to close the year at P3,654 billion. The increase is mainly attributable to a P429 million increase in accumulated Mark To Market valuation losses on a SWAP derivative the Corporation put in place to mitigate against interest rates and foreign currency risks associated with the ECFA entered into with ICBC. Further, there has been a P616 million increase in trade payables and other accruals. The increase in the latter was mainly influenced by payment obligations towards the ECFA funded Morupule B project as well as the increase in contractor retentions.

In overall, the Corporation results remained on track towards financial recovery during the 2011 financial year. The Corporate wide financial turnaround strategies implemented during the year are indeed yielding positive results. Furthermore, the 30% adjustment on end user tariffs also had a major impact to the improvement in the bottom line. The support from the Government mainly in the form of the tariff subsidy and emergency power grants had a significant positive impact on the reported loss.

The impact of the world recession indeed contributed to challenges in regard to debt collection which resulted in the growth in gross trade receivables from P164,9 million to P335,5 million. The Corporation's liquidity as measured by the current ratio closed the year at 0.51, down from 0.55 in the prior year.

VALUE ADDED STATEMENTS

for the year ended 31 March 2011

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.

	2011 P'000	2010 P'000
Value created		
Revenue	1,512,236	1,135,474
Less: Primary costs & services	(1,551,403)	(1,242,339)
Value created from operations	(39,167)	(106,865)
Add: Other Income received (Including Interest Income)	102,935	185,169
Total value created	63,768	78,304
Value distributed		
To employees	347,867	368,560
Finance costs on borrowings (Paid)	2,170	14,116
Dividend paid to Government	53,112	-
	403,149	382,676
Value retained		
Retained earnings	(2,109,870)	-1,691,275
Capital replacement reserve	48,559	128,753
Depreciation	274,368	144,564
	(1,786,943)	(1,417,958)
	(1,383,794)	(1,035,282)
Head count	2,188	1,841
Value created per employe	29	43

BOTSWANA POWER CORPORATION

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 ***March 2011***

GENERAL INFORMATION

NATURE OF BUSINESS

Botswana Power Corporation ("the Corporation") is a parastatal wholly owned by the Government of the Republic of Botswana, ("the Government"), that provides electricity throughout Botswana. The Corporation was established in 1970 by the Botswana Power Corporation Act (Cap 74:01).

REGISTERED OFFICE

Motlakase House
Macheng Way
P O Box 48
Gaborone
Botswana

BANKERS

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

ATTORNEYS

Armstrongs
P O Box 1368
Gaborone

Collins Newman
P O Box 882
Gaborone

Minchin and Kelly
P O Box 1339
Gaborone

AUDITORS

Deloitte and Touche
P O Box 778
Gaborone

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS 31 March 2011

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Botswana Power Corporation ("the Corporation"), comprising the statement of financial position as at 31 March 2011, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Botswana Power Corporation Act (Cap 74:01).

The directors 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 annual 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 independent auditors are engaged to express an independent opinion on the annual financial statements.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors 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 directors 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. These controls are monitored throughout the Corporation and all employees are required to maintain the highest ethical standards in ensuring the Corporation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Corporation is on identifying, assessing, managing and monitoring all known forms of risk across the Corporation. 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 directors have made an assessment of the Corporation's ability to continue as a going concern and believe that continued government support and the revision of the tariffs will ensure that the Corporation continues as a going concern in the next twelve months.

Although the board are primarily responsible for the financial affairs of the Corporation, they are supported by the Corporation's independent auditors. The independent auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with International Financial Reporting Standards.

The independent auditors are responsible for independently reviewing and reporting on the Corporation's annual financial statements. The annual financial statements have been examined by the Corporation's independent auditors and their report is presented on page 31.

Directors' approval of the annual financial statements

The annual financial statements set out on pages 32 to 67, which have been prepared on the going concern basis, were approved by the board on 26th of September, 2011 and were signed on its behalf by:

P M Mogatle Kanedi - *Audit Committee Chairman*

E T Rakhudu - *Board Chairman*

INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF MINERALS, ENERGY AND WATER RESOURCES AND MEMBERS PURSUANT TO SECTION 22 OF THE BOTSWANA POWER CORPORATION ACT (CHAPTER 74:01)

Report on the Financial Statements

We have audited the annual financial statements of Botswana Power Corporation, which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 67.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Power Corporation Act (Cap 74:01), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Botswana Power Corporation as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Power Corporation Act (Cap 74:01).

Emphasis of matter

Without qualifying our opinion, we draw attention to the following matters:

Going concern

The Corporation has incurred a loss for the year of P796,620,000 (2010: P1,572,169,000). The operating loss for the year before the tariff subsidy grant of P454,000,000 is P607,026,000 (2010: P563,573,000). The Board believes that the Corporation will receive ongoing support from the Government of the Republic of Botswana as disclosed in note 42 of these annual financial statements.

Consolidation of subsidiary

The Corporation has not prepared consolidated financial statements as per note 13. Management believes the subsidiary, BPC Lesedi (Proprietary) Limited, is neither quantitatively or qualitatively material in the context of these financial statements.

Report on Other Legal and Regulatory Requirements

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

- The Corporation has kept proper books of accounts with which the financial statement are in agreement;
- We have received all the information and explanations necessary for the performance of our audit; and
- The Corporation has complied with all the financial provisions of the Botswana Power Corporation Act (CAP 74:01) except for the matter referred to below.

As set out in note 41 to the financial statements, the Corporation has not met the requirements of Section 17 of the Botswana Power Corporation Act (Cap 74:01) which requires it to conduct its affairs on commercial lines so as to produce a net operating income by which a reasonable return can be measured. The Corporation incurred an operating loss of P607,026,000 (2010: P563,573,000) before the tariff of P454,000,000.

Deloitte & Touche

Deloitte & Touche
Certified Public Accountants
Practicing Member:
F C Els (19980074.21)

Gaborone
26 September 2011

***STATEMENT** OF COMPREHENSIVE INCOME*

for the year ended 31 March 2011

	Notes	**2011 P'000**	2010 P'000
Revenue	1	1,512,236	1,135,474
Other operating income	2	54,376	56,416
TOTAL OPERATING INCOME		1,566,612	1,191,890
Generation, transmission and distribution expenses	3	(1,964,388)	(1,551,498)
Reimbursement of emergency power purchases	4	206,715	73,611
Administration and other expenses	5	(415,965)	(277,576)
TOTAL OPERATING EXPENSES		(2,173,638)	(1,755,463)
OPERATING LOSS BEFORE TARIFF SUBSIDY GRANT	6	(607,026)	(563,573)
Tariff subsidy grant	7	454,000	-
OPERATING LOSS AFTER TARIFF SUBSIDY GRANT		(153,026)	(563,573)
Interest income	9	48,559	128,753
Finance costs	10	(2,171)	(3,642)
Net exchange gain/(loss)		132,853	(10,474)
Fair value loss on cross currency and interest rate swap	11	(744,679)	(1,022,638)
Provision for impairment on investments	13	(5,500)	-
Impairment of standard cost recovery	18	-	(100,595)
Unwinding of impairment loss on standard cost recovery	18	45,567	-
Impairment of unrecovered CFP balances	31	(118,223)	-
LOSS FOR THE YEAR		(796,620)	(1,572,169)
Other comprehensive income:			
Surplus on revaluation of property, plant and equipment	12	-	344,537
Total other comprehensive income for the year		-	344,537
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(796,620)	(1,227,632)

The Corporation is exempt from income taxation in terms of the second schedule of the Income Tax Act (52:01).

STATEMENT *OF FINANCIAL POSITION*
as at 31 March 2011

ASSETS	Notes	**2011 P'000**	2010 P'000
Non-current assets			
Property, plant and equipment	12	12,403,436	8,757,581
Available-for-sale investments	14	3,000	3,000
Investments held-to-maturity	15	31,147	38,860
Consumer loans - hire purchase scheme	16	13,649	8,284
Consumer loans - rural collective scheme	17	6,456	36,656
Standard cost recovery	18	177,939	424,065
		12,635,625	9,268,446
Current assets			
Standard cost recovery	18	202,637	193,979
Standard cost recovery - NESC	19	42,333	-
Investments held-to-maturity	15	235,127	646,584
Consumer loans - hire purchase scheme	16	6,365	2,658
Consumer loans - rural collective scheme	17	4,764	22,733
Consumer loans - NESC	20	30,153	-
Inventories	21	98,773	107,833
Trade and other receivables	22	284,269	177,490
Bank balances and cash		914,887	169,938
		1,819,314	1,321,215
TOTAL ASSETS		14,454,939	10 589 661
EQUITY AND LIABILITIES			
Capital and reserves			
Irredeemable capital	23	2,321,281	1,676,637
Revaluation reserves	24	3,033,157	3,033,157
Other reserves	25	1,765,535	1,716,976
Accumulated loss		(2,002,082)	11,294,505
		5,117,891	5,269,867
Non-current liabilities			
Government grants and advances	26	1,644	2,167
Deferred income - consumer financed projects	27	1,458,428	1,402,631
Borrowings	28	4,141,980	1,448,101
Consumer deposits	29	80,639	68,106
		5,682,691	2,921,005
Current liabilities			
Government grants and advances	26	166,812	45,376
Borrowings	28	12,459	12,663
Trade and other payables	30	1,103,721	487,425
Advances - consumer financed projects	31	920,397	780,660
Provisions	32	11,486	9,552
Other financial liabilities	33	1,439,482	1,010,001
Dividends payable	35.2	-	53,112
		3,654,357	2,398,789
		9,337,048	5,319,794
TOTAL EQUITY AND LIABILITIES		14,454,939	10,589,661

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2011

	Notes	Irredeemable capital P'000	Revaluation reserves P'000	Other reserves P'000	(Accumulated loss)/ Retained earnings P'000	Total P'000
Balance at 1 April 2009		1,645,637	2,688,620	1,588,223	544,019	6,466,499
Total comprehensive loss for the year		-	344,537	-	(1,572,169)	(1,227,632)
Total other comprehensive income for the year		-	344,537	-	-	344,537
Loss for the year		-	-	-	(1,572,169)	(1,572,169)
Transfers	25	-	-	128,753	(128,753)	-
Irredeemable capital contribution		31,000	-	-	-	31,000
Balance at 31 March 2010		1,676,637	3,033,157	1,716,976	(1,156,903)	5,269,867
Loss for the year		-	-	-	(796,620)	(796,620)
Transfers	25	-	-	48,559	(48,559)	-
Irredeemable capital contribution		639,144	-	-	-	639,144
Investment in subsidiary		5,500	-	-	-	5,500
Balance at 31 March 2011		2,321,281	3,033,157	1,765,535	(2,002,082)	5,117,891

STATEMENT OF CASH FLOWS
as at 31 March 2011

	Notes	2011 P'000	2010 P'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from/(used in) operations	35.1	128,091	(96,893)
Dividends paid	35.2	(53,112)	-
Interest paid		(2,171)	(3,642)
Net cash generated from/(used in) operating activities		**72,808**	**(100,535)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		48,559	128,753
Investment in subsidiary		(5,500)	-
Proceeds from disposal of property, plant and equipment		-	2,101
Purchase of property, plant and equipment	12	(3,930,033)	(3,105,251)
Net cash used in investing activities		(3,886,974)	(2,974,397)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(12,718)	(44,851)
Proceeds of borrowings		2,847,565	1,378,593
(Increase)/decrease in consumer loans - hire purchase scheme		(9,070)	31,774
Decrease/(increase) in consumer loans - rural collective scheme		48,169	(9,748)
Increase in consumer deposits		12,533	7,168
Decrease/(increase) in standard cost recovery		283,035	(239,022)
Increase in deferred income - consumer financed projects		55,797	731,947
Decrease in investments held-to-maturity		7,713	32,554
Net settlements on other financial liabilities		(315,198)	(12,637)
Increase in Government grants and advances		121,384	-
Decrease in available-for-sale investments		-	60,000
Tariff subsidy grant		454,000	-
Irredeemable capital contribution from the Government	23	648,954	31,000
Government contribution for acquisition of investment in subsidiary	23	5,500	-
Net cash generated from financing activities		**4,147,664**	**1,966,778**
Net increase/(decrease) in cash and cash equivalents		**333,498**	**(1,108,154)**
Cash and cash equivalents at beginning of the year		816,522	1,924,676
Cash and cash equivalents at end of the year		**1,150,020**	**816,522**
Cash and cash equivalents comprise:			
Investments held-to-maturity		235,127	646,584
Bank balances and cash		914,893	169,938
		1,150,020	816,522

SUMMARY *OF SIGNIFICANT ACCOUNTING POLICIES*

for the year ended 31 March 2011

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and interpretations effective in the current year

The following revised standards and interpretations were available for adoption for the year ended 31 March 2011. These standards and interpretations have not had any impact on the annual financial statements of the Corporation.

Conceptual Framework for Financial Reporting		***Effective Date***
Conceptual Framework	Conceptual Framework for Financial Reporting 2010	No stated effective date, therefore effective from date of issue (September 2010)
Revised	***International Financial Reporting Standards***	***Effective Date***
IFRS 1	First-time Adoption of International Financial Reporting Standards - Revised and restructured	Annual periods beginning on or after 1 July 2009
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	Annual periods beginning on or after 1 January 2010
IFRS 2	Share-based Payment - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRS 2	Share-based Payment - Amendments relating to group cash-settled share-based payment transactions	Annual periods beginning on or after 1 January 2010
IFRS 3	Business Combinations - Comprehensive revision on applying the acquisition method	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IFRS 8	Operating Segments - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*for the year ended 31 March 2011 **(Continued)***

*Standards and interpretations effective in the current year **(continued)***

Revised International Accounting Standards		Effective Date
IAS 1	Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 7	Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 17	Leases - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 27	Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 28	Investments in Associates - Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 31	Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 36	Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 38	Intangible Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for embedded derivatives when reclassifying financial instruments	Annual periods ending on or after 30 June 2009
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items	Annual periods beginning on or after 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IFRIC Interpretation		**Effective Date**
IFRIC 9	Reassessment of Embedded Derivatives - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRIC 17	Distributions of Non - cash assets to owners	Annual periods beginning on or after 1 July 2009
IFRIC 18	Transfers of Assets from Customers	Transfers received on or after 1 July 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2011 ***(Continued)***

Standards and interpretations effective in the current year (continued)

Standards and interpretations in issue but not yet effective

New/Revised International Financial Reporting Standards		*Annual Periods beginning on or after*
IFRS 1	First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Annual periods beginning on or after 1 July 2010
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	Annual periods beginning on or after 1 July 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation	Annual periods beginning on or after 1 July 2011
IFRS 3	Business Combinations - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2010
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets	Annual periods beginning on or after 1 July 2011
IFRS 9	Financial Instruments - Classification and Measurement	Annual periods beginning on or after 1 January 2013
IAS 1	Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	Annual periods beginning on or after 1 January 2012
IAS 24	Related Party Disclosures - Revised definition of related parties	Annual periods beginning on or after 1 January 2011
IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2010
IAS 32	Financial Instruments: Presentation - Amendments relating to classification of rights issues	Annual periods beginning on or after 1 February 2010
IAS 34	Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The annual financial statements are prepared under the historical cost convention and are presented in Botswana Pula (P). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements incorporate the following principal accounting policies which have been consistently followed in all material respects.

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.

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.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land 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 of the remaining useful lives of the items of property, plant and equipment.

Buildings	25 - 60 years
Generation facilities	20 - 60 years
Transmission facilities	20 - 60 years
Distribution facilities	10 - 45 years
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.

Assets that have an indefinite useful life like land 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.

***SUMMARY** OF SIGNIFICANT ACCOUNTING POLICIES*

for the year ended 31 March 2011 (Continued)

IMPAIRMENT

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.

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.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority 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.

RETIREMENT BENEFITS

Contributions to defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions. Contractual gratuities that accrue to contact employees over the period of their employment contracts are expensed over the period of such contracts.

INVESTMENTS IN SUBSIDIARIES

Investments in entities where the Corporation owns more that half of the voting rights are classified as investments in subsidiaries. These investments are initially recognised at cost. At each reporting date, the directors assess the recoverable amount of the investments and recognise an impairment loss where applicable. Where the fair value is greater than cost, the carrying amount is maintained at the original cost of the investment.

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.

GOVERNMENT GRANTS AND ADVANCES

Benefit of the Government loan at a below-market rate of interest
The difference between the proceeds received for below market interest rate loans and the fair value of such loans determined as per the accounting policy on financial instruments is recognised as a Government grant and amortised over the period of the loan. The amortisation is determined as the difference between the actual interest payments and the market interest rate on the fair valued loan.

Other Government grants and advances
Other Government grants and advances comprising grants for emergency power purchases and advances for the Government equity contribution into the Morupule B power plant construction are initially recognised as liabilities on the statement of financial position. These are amortised into the profit or loss to match the expenditure directly related to the grants.

Government advances
Government advances comprise funds advanced by the Government for its equity contribution into the construction of the Morupule B power station. These funds are initially recognised as a liability on the statement of financial position. When the expenditure associated with these advances has been incurred, a transfer of the same amount is transferred to irredeemable capital as additional contribution by the Government.

TARIFF SUBSIDY GRANT

Tariff subsidy grant comprises amounts received from the Government in respect of subsidies on electricity tariffs. This is recognised in the statement of financial position in the period in which they relate to.

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.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is deferred in equity and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

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 entity'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 balance sheet date. 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.

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:
(i) controls, is controlled by, or is under common control with, the entity (this includes parastatals and government departments);
(ii) has an interest in the entity that gives it significant influence over the entity; or

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

FINANCIAL INSTRUMENTS

Financial assets
Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are 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. The Corporation does not have financial assets 'at fair value through profit or loss (FVTPL).

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.

Held-to-maturity investments
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 held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

AFS financial assets
Unlisted bonds and listed redeemable bonds held by the Corporation that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 37.9. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables
Trade receivables, consumer loans (rural collective schemes and hire purchase), and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables 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
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the Estimated future cash flows of the investment have been impacted.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterpart; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

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 Corporations 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

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

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.

***SUMMARY** OF SIGNIFICANT ACCOUNTING POLICIES*

for the year ended 31 March 2011 (Continued)

(FINANCIAL INSTRUMENTS CONTINUED)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- 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 remeasurement 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 37.9.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities 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.

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 comprise 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 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 comprised funds received/receivable from customers and the government of Botswana in advance of capital projects financed by the customers/government. The actual expenditure on thee capital projects is netted off against these advances on consumer financed projects as and when it gets incurred. The carrying amount is considered to be at fair value as the advances are unexpended during the normal course of the business of the Corporation.

STANDARD COST RECOVERY

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 less cost Corporation. 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 area where a connection has already been set up for previous customers at a higher cost. However, due to rising cost of materials which cannot be matched by a revision of the standard levy, the standard cost recovery has not been recoverable. In this regard management is in the process of engaging the government to assist in recovering this amount. Refer to note 16 for information on the recovery plan.

REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

Sale of electricity
Sale of electricity is recognised when consumed. Invoicing is done monthly on an accrual basis. Reconnection charges are recognised when the reconnection services are provided.

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 when all of the following conditions are satisfied

- the Corporation has transferred to the buyer the significant risks and rewards of ownership of the materials;
- the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the materials sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

CRITICAL JUDGEMENT 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 vouchers which consumers key in the serial numbers into their meters installed at their premises. As at reporting date, prepaid electricity that has not been utilised by the consumer should be recognised as deferred revenue in line with IAS 18 - Revenue. However, the consumption of the prepaid electricity is determined by the meter installed at the consumers premises, and the Corporation has got no means to know how much the consumers has not utilised at year end.

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Corporation can measure the revenue reliably. Following this consideration management has concluded that the entire prepaid electricity sales should be recognised in revenue in the year that consumers purchase the electricity vouchers.

Held-to-maturity financial assets
The directors have reviewed the Corporation's held-to-maturity financial assets 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 held-to-maturity financial assets is P266,274,000 (2010: P685,444,000). Details of these assets are set out in note 15.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Useful lives of property, plant and equipment
As described at above, the Corporation reviews the estimated useful lives of property, plant and equipment at the end of each annual 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 prior year as there has been not material change in the condition of the equipment.

Fair value of financial instruments
The estimation of fair value of below market rate of interest government loans includes some assumptions based on current market conditions. The carrying amount of this loan P7,543 million (2010: P8,498 million). Details of the assumptions used and of the results of sensitivity analyses regarding these assumptions are provided in note 37.9.

Provision for bad debts
In assessing the recoverability of trade and other receivables, management consider the age of the outstanding balances and any other indicators to conclude on recoverability. Management's key assumption in this regard is that the balance in the 120 day plus category are likely to be impaired and provisions are recognised for such receivables.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

			2011 P'000	2010 P'000
1.	**REVENUE**			
	Sale of electricity:			
	Mining		432,664	323,773
	Commercial		439,342	315,515
	Domestic		395,963	312,600
	Government		229,932	161,357
			1,497,901	1,113,245
	Interest earned on consumer loans		14,161	20,568
	Reconnection charges		174	1,661
			1,512,236	1,135,474
2	**OTHER OPERATING INCOME**			
	Profit on sale of materials		42,250	41,200
	Other income		12,126	15,216
			54,376	56,416
3	**GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES**			
	Fuel, water and chemicals		106,670	108,421
	Power purchases		1,363,137	995,775
	Maintenance	- Generation	40,688	36,372
		- Transmission, distribution	13,285	70,925
	Amortisation of deferred income	- Other	(42,042)	(31,011)
	Staff costs	- Generation	64,601	58,862
		- Transmission, distribution	189,649	175,083
	Depreciation	- Generation	67,839	54,553
		- Transmission, distribution	138,175	60,313
	Other expenses	- Generation	2,371	6,074
		- Transmission, distribution	20,015	16,131
			1,964,388	1,551,498
4	**REIMBURSEMENT OF EMERGENCY POWER PURCHASES**			
	Advances not spent at beginning of year (note 26)		45,376	-
	Receipts during the year		610,000	149,987
	Expenditure on capital projects		(39,034)	(31,000)
	Direct payments		(90,017)	-
	Repayment of standard cost recovery balance		(239,546)	-
	Advances not spent at end of year (note 26)		(80,064)	(45,376)
	Reimbursement of emergency power purchases		206,715	73,611

4 REIMBURSEMENT OF EMERGENCY POWER PURCHASES *(Continued)*

The Corporation augments its sources of power supply with emergency power that is purchased at a premium. The Government funds the premium associated with such emergency power purchases. During the year, the Government disbursed a total of P610,000,000 (2010: P118,987,000) towards emergency power purchases and other projects associated with emergency power generation.
The receipts from the Government are amortised to profit or loss to match the emergency power purchases charged to profit or loss.

	2011 P'000	2010 P'000
5 ADMINISTRATION AND OTHER EXPENSES		
Staff costs	93,617	134,615
Depreciation of items of property, plant and equipment	68,354	29,468
Auditors' remuneration		
- current audit	1,100	995
- non audit	446	1,124
Board members' fees	119	120
Provision for bad debts	110,154	8,231
Other expenses	142,175	103,023
	415,965	277,576
6 OPERATING LOSS		
Operating loss is arrived at after charging/(crediting) the following items.		
Depreciation of items of property, plant and equipment	274,368	144,334
Loss on disposal of property, plant and equipment	-	10
Repairs and maintenance of property, plant and equipment	11,931	10,452
Provision for bad debts	147,118	8,231
Sale of materials	(149,707)	(176,509)
Cost of materials sold	107,457	136,324
Operating lease charges - property rentals	4,304	3,393
7 STAFF COSTS		
Salaries and wages	308,697	298,083
Gratuities	5,314	3,654
Pension contributions	31,278	30,573
Early exit package	923	36,113
Medical retirement package	1,655	137
	347,867	368,560

Staffs costs are included in generation, transmission and distribution and administation expenses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011 ***(Continued)***

		2011 P'000	2010 P'000
8	**TARIFF SUBSIDY GRANT**	454,000	-
	The Corporation's end user tariffs are lower than the generation cost per unit. The Government has approved a plan to gradually ramp up the tariffs to an economically sustainable level. For the year ended 31 March 2011, the Government of the Republic of Botswana has approved and paid a grant of P454 million to partially offset the operating losses.		
9	**INTEREST INCOME**		
	Bank balances on call and investments held-to-maturity	48,559	128,753
10	**FINANCE COSTS**		
	Interest on borrowings	2,171	3,642
	Interest on borrowings capitalised to property, plant and equipment	51,520	1,717
		53,691	5,359
	Less interest capitalised to property, plant and equipment	(51,520)	(1,717)
		2,171	3,642

The interest costs incurred on the Industrial and Commercial Bank of China (ICBC) loan disclosed per note 28 has been capitalised to capital work in progress as it relates to borrowings directly associated with the construction of the Morupule B power station.

		2011 P'000	2010 P'000
11	**FAIR VALUE LOSS ON CROSS CURRENCY AND INTEREST RATE SWAP**		
	Realised fair value loss on cross currency and interest rate swap	315,198	12,637
	Unrealised fair value loss on the cross currency and interest rate swap	429,481	1,010,001
		744,679	1,022,638

As detailed in Note 33, 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 has entered into a pay fixed interest rates and receive floating interest rate hedging arrangement with Standard Bank PLC. The nature of the hedge in place is that it effectively converts the USD$825 million loan into a notional basket currency which historical trends and forecasts have indicated to be highly correlated to the Botswana Pula. The resultant cash flows translate to an effective interest rate of 10.8% which management assessed to be reasonable.

As at 31 March 2011, the fair valuation results indicated a liability of P1,439,482,000 (2010: P1,010,001,000) which was among other factors influenced by the fact the Botswana Pula remained strong against the USD and forecast interest rates remain lower than predictions at the time of entering into the hedge. The hedge structure and set up is under revision with a view to address both the accumulated liability and the effect it has on the profit or loss. The revision will take into account the latest available market information.

12 PROPERTY, PLANT AND EQUIPMENT

	Notes	Land & Buildings P'000	Generation Transmission & Distribution P'000	Other P'000	Capital Work in Progress P'000	Total P'000
2010						
Balance at beginning of year		171,819	3,738,088	56,874	1,487,437	5,454,218
Additions		24,271	31,979	24,773	3,024,228	3,105,251
Disposals		-	-	(5,427)	-	(5,427)
Transfers		3,163	854,854	(101)	(857,916)	-
Revaluation		190,176	154,361	-	-	344,537
Depreciation		(11,095)	(112,470)	(20,769)	-	(144,334)
Accumulated depreciation on disposal		-	-	3,336	-	3,336
Balance at end of year		378,334	4,666,812	58,686	3,653,749	8,757,581
At 31 March 2010						
Cost or valuation		378,552	8,276,491	193,854	3,653,749	12,502,646
Accumulated depreciation		(218)	(3,609,679)	(135,168)	-	(3,745,065)
Carrying amount		378,334	4,666,812	58,686	3,653,749	8,757,581
2011						
Balance at beginning of year		378,334	4,666,812	58,686	3,653,749	8,757,581
Transfer to emergency power grant		-	(9,810)	-	-	(9,810)
Additions		-	5,656	16,628	3,907,749	3,930,033
Transfers		3,801	281,276	111,417	(396,494)	-
Depreciation		(14,393)	(206,013)	(53,962)	-	(274,368)
Balance at end year		367,742	4,737,921	132,769	7,165,004	12,403,436
At 31 March 2011						
Cost or valuation		382,353	8,553,613	321,899	7,165,004	16,422,869
Accumulated depreciation		(14,611)	(3,815,692)	(189,130)	-	(4,019,433)
Carrying amount		367,742	4,737,921	132,769	7,165,004	12,403,436

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Corporation's property, plant and equipment is revalued at 3 year intervals. The the last revaluations were performed as at 31 March 2010. If the assets had not been revalued, the cost and accumulated depreciation would have been as shown below.

	2011 P'000	2010 P'000
Cost	3,612,976	3,252,862
Accumulated depreciation	(1,357,302)	(1,111,503)
Carrying amount	2,255,674	2,141,359

The details of land and buildings are available at the Corporation's head office. The Corporation is in the process of obtaining copies of all title deeds over its properties owned as a number of title deeds over the Corporation's properties are not available or reflect historical ownership data.

13 INVESTMENT IN SUBSIDIARY

BPC Lesedi (Proprietary) Limited	5,500	-
Less: Provision for impairment	(5,500)	-
Net investment	-	-

The Corporation has a controlling interest in BPC Lesedi (Proprietary) Limited, "BPC Lesedi". This subsidiary is a joint venture between the Corporation (55%) and EDF International (45%). The Corporation's investment is through Government's equity injection. P5 million had been contributed while a further P500,000 remained payable as at 31 March 2011. BPC Lesedi was formed to exploit renewable solar energy sources in Botswana through a fee-for service franchising model under which direct participation by private small scale investors is encouraged and supported. This subsidiary has not been consolidated as its financial statements are not finalised. The Directors believe the financial information of this subsidiary is not material both quantitatively and qualitatively to the financial statements of the Corporation. The Directors believe the cost of this investment is less than the fair value.

14 AVAILABLE-FOR-SALE INVESTMENTS

Barclays Bank of Botswana Limited Bond	3,000	3,000

Available-for-sale investments comprises a Barclays Bank of Botswana Limited bond held as at 31 March 2011. This Bond has a variable rate of interest. At year end the rate was 9.51% (2010:10.3%)and is tradable on the open market. Available-for-sale investments are classified as non-current assets, unless they are expected to be realised within twelve months of the statement of financial position date or if it is management's intention to dispose of the investments within twelve months of the statement of financial position date. The Directors believe the cost of this investment is less than the fair value.

15 INVESTMENTS HELD-TO-MATURITY

Deposits with local banks	235,127	646,584
Deposits with foreign banks	31,147	38,860
	266,274	685,444
Current portion	(235,127)	(646,584)
Long-term portion	31,147	38,860

15 INVESTMENTS HELD-TO-MATURITY *(Continued)*

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 5.75% to 6.15% (2010: 6.3% to 7%). These fixed deposits are invested for periods ranging from 7 to 28 days (2010: 28 to 91 days).

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 28.

			2011 P'000	2010 P'000
	The deposits are denominated in foreign currency as follows:			
	US dollar	$'000	4,781	5,728
	Deposits and short term investments are retained primarily to fund the future replacement of and additions to the Corporation's property, plant and equipment. Interest from these funds is accordingly transferred to the other reserves as disclosed per note 25.			
16	**CONSUMER LOANS - HIRE PURCHASE SCHEME**			
16.1	Hire purchase scheme		60,217	43,162
	Less short-term portion		(6,365)	(17,157)
	Less provision for doubtful debts		(40,205)	(17,721)
	Long-term portion		13,647	8,284
16.2	Hire purchase short-term portion		6,365	17,157
	Less provision for doubtful debts		-	(14,499)
	Short-term portion		6,365	2,658
	Total		20,012	10,942

Consumer loans represent outstanding balances under the deferred repayment scheme for the cost of capital connections payable by consumers over periods of up to 180 months. 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 prime lending rate, which at the end of the year was 10.25% (2010:11.5%).

17 CONSUMER LOANS - RURAL COLLECTIVE SCHEME

		2011 P'000	2010 P'000
17.1	Long term Rural Collective Scheme	106,593	136,793
	Less advance from Government	(100,137)	(100,137)
	Long-term portion	6,456	36,656

17 CONSUMER LOANS - RURAL COLLECTIVE SCHEME *(Continued)*

		2011 P'000	2010 P'000
17.2	Short term Rural Collective Scheme	108,462	76,791
	Less advance from Government	(103,698)	(54,058)
	Short-term portion	4,764	22,733
	Total	11,220	59,389

Rural Collective Scheme is a Government initiative 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 10.25% (2010:11.5%). During the year, the Government authorised setting off the dividend payable against the balance of consumer loans - rural collective scheme as at 31 March 2010 amounting P49,640,000.

18 STANDARD COST RECOVERY

	2011 P'000	2010 P'000
Long term portion	196,058	479,093
Less Impairment	(18,119)	(55,028)
	177,939	424,065
Current portion	239,546	239,546
Less impairment	(36,909)	(45,567)
	202,637	193,979
Total standard cost	435,604	718,639
Less impairment	(55,028)	(100,595)
	380,576	618,044
Movement in impairment		
Balance at beginning of year	100,595	-
Impairment recognised during the year	-	100,595
Unwinding of impairment loss on standard cost recovery	(45,567)	-
Balance at end of year	55,028	100,595

18 STANDARD COST RECOVERY *(Continued)*

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 three 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 are determined by the Government. Pursuant to the recovery of these amounts, management sought reimbursement from the Government and a payment plan was agreed, the deficit is being recovered in three equal installments. The first installment due, amounting to P239 million, in the current financial year was settled as per the plan. An impairment was recognised in respect of the loss in time value of money due to delays in settlement of the deficit and is unwound to the profit or loss as the government settles the outstanding balance.

19 STANDARD COST RECOVERY- NESC

	2011 P'000	2010 P'000
Refunds due from the National Electrification Standard Connection Cost Fund	42,333	-

With effect from 1 October 2010, the Government of the Republic of Botswana 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 (5 thebe) levied to customers for every kWh billed.

20 CONSUMER LOANS - NESC

	2011 P'000	2010 P'000
CONSUMER LOANS - NESC	30,153	-

This balance comprises amounts owing from customers for their contribution under the NESC Scheme referred to in note 19. The customer's electricity connection costs 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. These balances are interest free.

21 INVENTORIES

	2011 P'000	2010 P'000
Coal and fuel	27,758	14,207
Maintenance spares and materials	71,015	93,626
	98,773	107,833

22 TRADE AND OTHER RECEIVABLES

	2011 P'000	2010 P'000
Electricity sales receivables:		
Mining	41,115	29,064
Commercial	155,542	64,060
Domestic	98,730	35,982
Government	40,073	35,811
Total trade receivables	335,460	164,917
Impairment of trade receivables	(147,118)	(36,964)
	188,342	127,953
Other receivables	88,276	48,364
Prepayments	7,651	1,173
	284,269	177,490

22 TRADE AND OTHER RECEIVABLES *(Continued)*

The average credit period on sale of electricity is 82 days (2010: 54 days). No interest is charged on the trade receivables. The Corporation has provided fully for all receivables over 120 days, because historical experience has shown that receivables that are past due beyond 120 days, are generally not recoverable. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of electricity, determined by reference to past default experience.

The Corporation holds bank guarantees as security against certain of these receivables to the value of P14,524, 568 (2010: P13,179,875). 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 these deposits held by the Corporation is disclosed per note 29.

	2011 P'000	2010 P'000
Movement in the provision for doubtful trade receivables		
Balance at beginning of year	36,964	28,733
Current year provision	110,154	8,231
Balance at end year	147,118	36,964

In determining the recoverability of a 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 concentration of credit risk is disclosed as per the breakdown of electricity sales receivables above. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for doubtful debts.

23 IRREDEEMABLE CAPITAL

Balance at beginning of year	1,676,637	1,645,637
Contribution received during the year	658,764	31,000
Current year contribution	648,954	31,000
Prior year transfer	9,810	-
Contribution for acquisition of investment in subsidiary (note 13)	5,500	-
Balance at end of year	2,340,901	1,676,637

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

In prior year, the Government provided the Corporation with P31 million to acquire substations for the 90MW diesel power plant. This amount was based on an estimate at the time of finalisation of the financial statements for the year ended 31 March 2010. The actual costs amounted to P21,190,000. The difference of P9,810,000 has been reversed in current year in the movement of property, plant and equipment and irredeemable capital.

24 REVALUATION RESERVES

Balance at beginning of year	3,033,157	2,688,620
Revaluation during the year	-	344,537
Balance at end of year	3,033,157	3,033,157

24 REVALUATION RESERVES *(Continued)*

The properties revaluation reserve arises on the revaluation of land and buildings, generation, transmission and distribution plant and equipment. Where revalued items are sold, the related portion of the revaluation reserve is effectively realised and is transferred directly to retained earnings.

	2011 P'000	2010 P'000
25 OTHER RESERVES		
Balance at beginning of year	1,716,976	1,588,223
Transfer from retained earnings	48,559	128,753
Balance at end of year	1,765,535	1,716,976

Other reserves comprise amounts transferred annually from accumulated losses. The annual transfers represent the interest received on the Corporation's investments during the year. The purpose of this reserve is to complement the funding requirements for capital expenditure for the Corporation's expansion program.

26 GOVERNMENT GRANTS AND ADVANCES

	2011 P'000	2010 P'000
Benefit of the government loan at a below-market rate of interest	1,644	2,167
Emergency power grants 70MW and 90MW	80,064	45,376
Other emergency power grants (Seronga, Energia and Eltel)	17,797	-
Advances in respect of Morupule B Power Plant capital expenditure	68,951	-
	168,456	47,543
Less short term portion	(166,812)	(45,376)
	1,644	2,167

The Benefit of the Government loan at a below-market rate of interest represents the difference between the fair value of Government loans received at below market rate of interest and the proceeds received. The grant is amortised to profit or loss over the period of the loan. The amortisation is determined as the difference between the interest on the fair valued loan at market rates and the interest paid at the actual below market rate of interest.

Emergency power grants represent the balance of emergency power funds disbursed to the Corporation at reporting date. The Government funds any power purchased at a premium above normal prevailing prices as well as any capital works aimed at providing energy on an emergency basis. P610 million was received during the year (2010: P118 million). On note 4, the funds received have been reconciled to the statement of comprehensive income.

The Government finances up to 50% of the Morupule B construction expenditure through additional equity contribution. In cases where such equity contribution is received in advance, it is disclosed as a liability to the extent that it remains unspent.

27 DEFERRED INCOME - CONSUMER FINANCED PROJECTS

	2011 P'000	2010 P'000
Deferred income - consumer financed projects	1,458,428	1,402,631

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

NOTES *TO THE ANNUAL FINANCIAL STATEMENTS*

for the year ended 31 March 2011 ***(Continued)***

28 BORROWINGS

	Current		Non current	
	2011 P'000	2010 P'000	**2011 P'000**	2010 P'000
Borrowings at amortised cost				
Government of the Republic of Botswana				
Debt Participation Capital Fund	495	930	-	495
Debt Participation Capital Fund	804	739	873	1,677
Debt Participation Capital Fund	1,581	1,469	4,501	6,082
Government of the Republic of Botswana				
(funded by Japanese Overseas Economic Cooperation Fund)	1,063	956	6,480	7,542
- Loan Balance	1,534	1,478	7,653	9,187
- Fair value adjustments transferred to Government grant)	(471)	(522)	(1,173)	(1,645)
Debt Participation Capital Fund	1,498	1,391	4,264	5,762
Nordic Investment Bank	3,883	4,043	3,883	8,090
Government of the Republic of Botswana				
(funded by Nordic Development Fund)	933	916	37,156	37,564
European Investment Bank	2,202	2,219	-	2,295
Industrial and Commercial Bank of China	-	-	4,084,823	1,378,594
	12,459	12,663	4,141,980	1,448,101

	2011 P'000	2010 P'000
Currency analysis of borrowings		
Pula denominated	21,559	27,043
Foreign denominated	4,132,880	1,433,721
Total borrowings	4,154,439	1,460,764

28 BORROWINGS *(Continued)*

	Security	Interest rate per annum	2011 P'000	2010 P'000
Government of Republic of Botswana				
Debt Participation Capital Fund	On-lent	8.50%	495	1,425
Debt Participation Capital Fund	On-lent	8.50%	1,677	2,416
Debt Participation Capital Fund	On-lent	7.50%	6,082	7,551
Government of Republic of Botswana	On-lent			
(funded by Japanese Overseas				
Economic Cooperation Fund)	On-lent	3.75%	7,543	8,498
Debt Participation Capital Fund	On-lent	7.50%	5,762	7,153
Nordic Investment Bank	Government of the Republic of Botswana		7,766	12,133
Government of Republic of Botswana (funded by Nordic Development Fund)	Government of the Republic Botswana	3.00-5.00%		
			38,089	38,480
European Investment Bank	Government of Republic of Botswana	3.47%	2,202	4,514
Industrial and Commercial Bank of China Republic of Botswana	Government of	Libor + 160bps	4,084,823	1,378,594
			4,154,439	1,460,764

	2011 P'000	2010 P'000
The borrowings are repayable as follows		
Up to 1 year	12,459	12,663
2 - 5 years	19,068	10,862
Later than 5 years	4,122,912	1,437,239
Total	4,154,439	1,460,764

29 CONSUMER DEPOSITS

	2011 P'000	2010 P'000
Consumer deposits	80,639	68,106

Consumer deposits comprise amounts received from customers held as security against failure to settle accounts.
These ordinarily represents two months estimated electricity sales to the customer and are refundable on closing the customer account.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2011 (Continued)

30 TRADE AND OTHER PAYABLES

	2011 P'000	2010 P'000
Trade and other payables	367,880	256,279
Refund due to Government	270,000	-
Interest on borrowings	4,342	1,472
Staff costs	35,391	39,935
Retentions	426,108	189,739
	1,103,721	487,425

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 time frame.

31 ADVANCES - CONSUMER FINANCED PROJECTS

	2011 P'000	2010 P'000
Advances received from customers	920,397	780,660

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. As at year end, the Corporation held some CFP projects in debit balances totalling to P168,469,247 and an extrapolated amount of P118,223,454 was provided for as possibly impaired.

32 PROVISIONS

	Legal provision P'000	Gratuity P'000	Decommissioning costs P'000	Total P'000
Balance at 1 April 2010	1,554	7,110	888	9,552
Additional provisions raised	2,900	5,314	-	8,214
Reductions due to case withdrawals/ payments	(1,500)	(4,780)	-	(6,280)
Balance at 31 March 2011	2,954	7,644	888	11,486

(a) Legal provision
The provision represents claims under employee disputes and claims for public liability.

(b) Gratuity provision
Gratuity provision is recognised in respect of contractual obligations with contract employees, to pay a certain percentage of their basic pay as a lump sum at the end of their contracts.

(c) Decommissioning costs
The provision for decommissioning costs represents the present value of the directors' estimate to dismantle the idle Selebi Phikwe substation.

33 OTHER FINANCIAL LIABILITIES

	2011 P'000	2010 P'000
Financial liabilities carried at fair value through profit or loss (FVTPL)		
Balance at beginning of year	1,010,001	-
Fair value loss for the year	744,679	1,022,638
Realised loss (payments)	(315,198)	(12,637)
Balance at end of year	1,439,482	1,010,001
Comprising:		
Total fair value loss	1,767,317	1,022,638
Total realised fair value loss	(327,835)	(12,637)
	1,439,482	1,010,001

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 has entered into a pay fixed interest rates and receive floating interest rate hedging arrangement with Stanbic Bank PLC. The swap matures every six months starting on 15 January 2010. The swap is made up of a basket of notional currency on which interest is calculated on the predetermined notional currency amounts at a fixed interest rate and converted to Botswana pula on 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 its calculated based on the same rate charged on the loan from ICBC. 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	
	2011 %	2010 %	2011 %	2010 %
South African Rands	13.35	13.35	65	65
United States Dollars	6.47	6.47	15	15
Euro	6.30	6.30	10	10
British Pound	6.67	6.67	5	5
Japanese Yen	4.07	4.07	5	5
			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 draw down 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.

33 OTHER FINANCIAL LIABILITIES *(Continued)*

	2011 USD'000	2010 USD'000	2011 P'000	2010 P'000
Notional hedged amount	692,987	444,174	4,514,573	3,013,392
Loan draw down (Note 28)	(627,020)	(203,205)	(4,084,823)	(1,378,594)
Over hedged amount	65,967	240,969	429,750	1,634,798

34 COMMITMENTS

	2011 P'000	2010 P'000
34.1 Capital commitments		
Authorised but not contracted	221	437
Authorised and contracted	5,834,954	9,749,024
	5,835,175	9,749,461

The Corporation will finance the above expenditure through internal funds and external borrowings.

34.2 Operating lease commitments

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

	2011 P'000	2010 P'000
Within one year	392	413
Later than one year but not later than 5 years	9,123	10,137
	9,515	10,550

35 NOTES TO THE STATEMENT OF CASH FLOWS

35.1 Cash generated from/(used in) operations:

	2011 P'000	2010 P'000
Loss for the year	(796,620)	(1,572,169)
Tariff subsidy grant	(454,000)	-
Interest received	(48,559)	(128,753)
Interest paid	2,171	3,642
	(1,297,008)	(1,697,280)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	274,368	144,334
Other gains and losses (Note 11)	744,679	1,022,638
Fair value adjustment on standard cost recovery	(45,567)	100,595
Impairment provision: BPC Lesedi (Pty) Ltd	5,500	-
Write off of investment in associate	-	537
Amortisation of Government grant	(471)	(566)
Unrealised exchange differences on long term borrowings	(141,172)	7,813
Profit on disposal of property, plant and equipment	-	(10)
	(459,671)	(421,939)

35 NOTES TO THE STATEMENT OF CASH FLOWS *(Continued)*

		2011 P'000	2010 P'000
35.1	**Cash generated from/(used in) operations *(Continued)*:**		
	Cash flows from working capital changes:		
	Increase in standard cost recovery - NESC	(42,333)	-
	Decrease in inventories	9,060	31,433
	Increase in trade and other receivables	(106,779)	(27,522)
	Increase in trade and other payables	616,296	240,414
	Increase/(decrease) in provisions	1,934	(4,464)
	Increase in consumer loans - NESC	(30,153)	-
	Increase in advances - consumer financed projects	139,737	85,185
		587,672	325,046
	Cash generated from/(used in) operations	128,091	(96,893)
35.2	Dividend paid		
	Amounts unpaid at beginning of the year	53,112	53,112
	Amounts unpaid at end of the year	-	(53,112)
	Dividend paid	53,112	-

The Government allowed the Corporation to offset the dividend payable against the amounts due from the Consumer Loans - Rural Collective Schemes detailed in Note 17 amounting to P49,640,000, the balance was settled to the Government in cash.

36 RETIREMENT BENEFITS

All permanent citizen employees of the Corporation are members of a retirement benefit plan operated by independent administrators. This fund is registered under the Pensions 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 that are not members of the retirement benefit plan are entitled to gratuities that are a percentage of the basic salary over the period of their employment contracts.

The contributions recognised as an expense for the retirement benefit plan and the gratuity expense are disclosed per note 8.

37 FINANCIAL INSTRUMENTS

37.1 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 strategy remains unchanged from 2010.

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.

	2011 P'000	2010 P'000
Gearing ratio		
Debt	9,337,048	5,319,794
Cash and cash equivalents	(1,150,020)	(816,522)
Net debt	8,187,028	4,503,272
Equity	5,269,867	6,466,499
Net debt to equity ratio (%)	155%	70%

37.2 Categories of financial instruments

	2011 P'000	2010 P'000
Financial assets at amortised cost		
Held-to-maturity investments	266,274	685,444
Loans and receivables (including cash and cash equivalents)	1,202,640	371,646
Available-for-sale financial assets	3,000	3,000
	1,471,914	1,060,090
Financial liabilities at amortised cost		
Other liabilities	9,323,918	5,308,075

37.3 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.

37.4 Market risk

The Corporations activities expose it primarily to the financial risk of changes in foreign exchange rates (see 37.5 below) and interest rates (see 37.6) below. The risk of movements in foreign exchange rates is mitigated though.

- 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 33.

37 FINANCIAL INSTRUMENTS *(Continued)*

37.5 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	
	2011 P'000	2010 P'000	**2011 P'000**	2010 P'000
Denominated in the following currencies:				
United States Dollar	4,310,876	1,505,092	75,958	96,289
Japanese Yen	-	145	-	-
South African Rand	94,426	150,857	9,812	4,575
Euro	688	-	-	-
	4,405,990	1,656,094	85,770	100,864

37.5.1 Foreign currency sensitivity analysis

The following table shows the effect of a 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.

	2011 P'000	2010 P'000
Increase in loss for the year	(216,011)	(77,762)

37.6 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.

37.6.1 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.

37 FINANCIAL INSTRUMENTS *(Continued)*

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

	2011 P'000	2010 P'000
Loss for the year would (decrease)/increase by	38,006	12,011

37.7 Credit risk management

Credit risk refers to the risk that a counterpart 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. Ongoing 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 trade accounts receivables is disclosed on note 22. The most significant credit risk concentration of other financial assets are disclosed as follows.

Barclays Bank of Botswana Limited	-	164,300
African Alliance	23,047	46,379
African Banking Corporation (Proprietary) Limited	125,406	136,533
Stanbic Bank Botswana Limited	-	30,145
Stanbic Investment Management Services	35,866	-
Standard Chartered Bank of Botswana (Proprietary) Limited	3,108	152,227
Bank Gaborone (Proprietary) Limited	50,700	120,000
Barclays Bank of Botswana PLC London	31,147	38,860
Total	269,274	688,444

37.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Corporation's short, medium and long-term funding and liquidity management requirements. The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 37.8.2 is the amount of undrawn facilities that the Corporation has at its disposal to further reduce liquidity risk.

37.8.1 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's can be required to pay. The table includes only principal cash flows.

37 FINANCIAL INSTRUMENTS *(Continued)*

	Up to 1 year P'000	2 to 5 years P'000	+ 5 years P'000	Total P'000
2011				
Fixed interest rate	12,459	19,068	-	31,527
Variable interest rate	-	-	4,084,823	4,084,823
Non interest bearing	2,047,405	-	-	2,047,405
	2,059,864	19,068	4,084,823	6,163,755
2010				
Fixed interest rate	12,663	10,862	-	23,525
Variable interest rate	-	-	1,378,594	1,378,594
Non interest bearing	1,376,125	-	-	1,376,125
	1,388,788	10,862	1,378,594	2,778,244

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets based on the earliest date on which the Corporation's will receive cash settlement. The table includes principal cash flows only.

	Up to 1 year P'000	2 to 5 years P'000	+ 5 years P'000	Total P'000
2011				
Variable interest rate	-	3,000	-	3,000
Non interest bearing	284,269	-	-	284,269
Fixed interest rate	235,127	31,147	-	266,274
	519,396	34,147	-	553,543
2010				
Variable interest rate	-	-	3,000	3,000
Non interest bearing	177,490	-	-	177,490
	646,584	38,860	-	685,444
	824,074	38,860	3,000	865,934

37.8.2 Facilities

The Corporation has access to financing facilities, the total unused amount which is P40 million (2010: P20 million) at the statement of financial position. The Corporation expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

37.9 Fair value

The directors of the Corporation believe that all the carrying amounts of all financial instruments approximate fair value. The fair value of these financial instruments is determined based on the accounting policy on financial instruments. The key assumption used is a market interest rate of 11% (2010: 11%) to discount the future cash flows on settlement of the Government loan.

37 FINANCIAL INSTRUMENTS *(Continued)*

37.9.1 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 P'000	Level 2 P'000	level 3 P'000	2011/03/31 Total P'000
Available-for-sale financial assets				
Quoted bonds	3,000	-	-	3,000
Financial liabilities at FVTPL				
Derivative financial liabilities	-	-	1,439,482	1,439,482

There were no transfers between Level 1 and 2 in the period.

38 CONTINGENT LIABILITIES

	2011 P'000	2010 P'000
(a The Corporation has guaranteed the obligation of certain employees under its motor vehicle and residential housing schemes in a total amount of	12,729	15,982

(b) Italswana Construction (Proprietary) Limited Vs the Corporation
The Corporation is a defendant in a claim brought by Italswana Construction (Proprietary) Limited wherein the respondent seeks claim for P4,914,335 inclusive of interest for costs suffered, occasioned by various delays caused by the Corporation in a construction project. The matter is being decided by an Arbitrator.

39 RELATED PARTY BALANCES AND TRANSACTIONS

	2011 P'000	2010 P'000
Amounts due (from)/to:		
Botswana Unified Revenue Service (Value added tax)	179,047	(54,680)
Botswana Unified Revenue Service (Withholding Tax)	1,282	2,694
Botswana Unified Revenue Service (Import Value added tax)	58,936	56,149
	239,265	4,163
Remuneration of key entity personnel:		
Salaries and other short term employee benefits	9,436	6,001
Terminal benefits	534	121
	9,970	6,122

Trade receivables due from the Government is disclosed in Note 22. Electricity sales to the Government of the Republic of Botswana during the year ended 31 March 2011 are disclosed per Note 1. Borrowings from the Government are disclosed in Note 28. Note 26 Details the balance of advances received from the Government for emergency power purchases

40 SUBSEQUENT EVENTS

Subsequent to year end the Government has injected P381 million in respect of tariff subsidies for the 2011/12 financial year.

In addition, the Corporation's energy tariffs were increased by 30% (15% for any usage less than 200kWh per month) effective 1 June 2011.

The Corporation implemented a voluntary staff early exit exercise with a total of 82 employees of various grades being exited at a cost of P68,723,000 in separation pay outs. This is part of the phased approach to the staff optimisation strategy that the Corporation is implementing.

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

The Corporation has not complied with the requirements of Section 17 of the Botswana Power Corporation Act (Chapter 74:01) which requires the Corporation to conduct its affairs on sound commercial lines and to produce a net operating income by which a reasonable return can be measured. An operational loss of P153,026,000 (2010: P563,573,000) was incurred after a tariff subsidy of P454 million received from the Government of the Republic of Botswana mainly due to high unit costs of production compared to unit selling price.

42 GOING CONCERN

The Corporation has incurred a loss for the year of P796,620,000 (2010: P1,572,169,000). The Board considers the going concern of the Corporation to be at risk and is dependant on continued Government support in the form of the following:

(a) Approval of tariff increases and;
(b) Tariff subsidies
(c) Reimbursement of emergency power purchases incurred by the Corporation

GENERAL INFORMATION

NATURE OF BUSINESS

Botswana Power Corporation ("the Corporation") is a parastatal wholly owned by the Government of the Republic of Botswana, ("the Government"), that provides electricity throughout Botswana. The Corporation was established in 1970 by the Botswana Power Corporation Act (Cap 74:01).

REGISTERED OFFICE

Motlakase House
Macheng Way
P O Box 48
Gaborone
Botswana

BANKERS

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

ATTORNEYS

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

AUDITORS

Deloitte and Touche
P O Box 778
Gaborone

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS 31 March 2011

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Botswana Power Corporation ("the Corporation"), comprising the statement of financial position as at 31 March 2011, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Botswana Power Corporation Act (Cap 74:01).

The directors 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 annual 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 independent auditors are engaged to express an independent opinion on the annual financial statements.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors 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 directors 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. These controls are monitored throughout the Corporation and all employees are required to maintain the highest ethical standards in ensuring the Corporation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Corporation is on identifying, assessing, managing and monitoring all known forms of risk across the Corporation. 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 directors have made an assessment of the Corporation's ability to continue as a going concern and believe that continued government support and the revision of the tariffs will ensure that the Corporation continues as a going concern in the next twelve months.

Although the board are primarily responsible for the financial affairs of the Corporation, they are supported by the Corporation's independent auditors. The independent auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with International Financial Reporting Standards.

The independent auditors are responsible for independently reviewing and reporting on the Corporation's annual financial statements. The annual financial statements have been examined by the Corporation's independent auditors and their report is presented on page 31.

Directors' approval of the annual financial statements

The annual financial statements set out on pages 32 to 67, which have been prepared on the going concern basis, were approved by the board on 26th of September, 2011 and were signed on its behalf by:

P M Mogatle Kanedi - *Audit Committee Chairman*

E T Rakhudu - *Board Chairman*

INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF MINERALS, ENERGY AND WATER RESOURCES AND MEMBERS PURSUANT TO SECTION 22 OF THE BOTSWANA POWER CORPORATION ACT (CHAPTER 74:01)

Report on the Financial Statements

We have audited the annual financial statements of Botswana Power Corporation, which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 67.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Power Corporation Act (Cap 74:01), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Botswana Power Corporation as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Power Corporation Act (Cap 74:01).

Emphasis of matter

Without qualifying our opinion, we draw attention to the following matters:

Going concern

The Corporation has incurred a loss for the year of P796,620,000 (2010: P1,572,169,000). The operating loss for the year before the tariff subsidy grant of P454,000,000 is P607,026,000 (2010: P563,573,000). The Board believes that the Corporation will receive ongoing support from the Government of the Republic of Botswana as disclosed in note 42 of these annual financial statements.

Consolidation of subsidiary

The Corporation has not prepared consolidated financial statements as per note 13. Management believes the subsidiary, BPC Lesedi (Proprietary) Limited, is neither quantitatively or qualitatively material in the context of these financial statements.

Report on Other Legal and Regulatory Requirements

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

- The Corporation has kept proper books of accounts with which the financial statement are in agreement;
- We have received all the information and explanations necessary for the performance of our audit; and
- The Corporation has complied with all the financial provisions of the Botswana Power Corporation Act (CAP 74:01) except for the matter referred to below.

As set out in note 41 to the financial statements, the Corporation has not met the requirements of Section 17 of the Botswana Power Corporation Act (Cap 74:01) which requires it to conduct its affairs on commercial lines so as to produce a net operating income by which a reasonable return can be measured. The Corporation incurred an operating loss of P607,026,000 (2010: P563,573,000) before the tariff of P454,000,000.

Deloitte & Touche

Deloitte & Touche
Certified Public Accountants
Practicing Member:
F C Els (19980074.21)

Gaborone
26 September 2011

STATEMENT *OF COMPREHENSIVE INCOME*

for the year ended 31 March 2011

	Notes	**2011 P'000**	2010 P'000
Revenue	1	1,512,236	1,135,474
Other operating income	2	54,376	56,416
TOTAL OPERATING INCOME		1,566,612	1,191,890
Generation, transmission and distribution expenses	3	(1,964,388)	(1,551,498)
Reimbursement of emergency power purchases	4	206,715	73,611
Administration and other expenses	5	(415,965)	(277,576)
TOTAL OPERATING EXPENSES		(2,173,638)	(1,755,463)
OPERATING LOSS BEFORE TARIFF SUBSIDY GRANT	6	(607,026)	(563,573)
Tariff subsidy grant	7	454,000	-
OPERATING LOSS AFTER TARIFF SUBSIDY GRANT		(153,026)	(563,573)
Interest income	9	48,559	128,753
Finance costs	10	(2,171)	(3,642)
Net exchange gain/(loss)		132,853	(10,474)
Fair value loss on cross currency and interest rate swap	11	(744,679)	(1,022,638)
Provision for impairment on investments	13	(5,500)	-
Impairment of standard cost recovery	18	-	(100,595)
Unwinding of impairment loss on standard cost recovery	18	45,567	-
Impairment of unrecovered CFP balances	31	(118,223)	-
LOSS FOR THE YEAR		(796,620)	(1,572,169)
Other comprehensive income:			
Surplus on revaluation of property, plant and equipment	12	-	344,537
Total other comprehensive income for the year		-	344,537
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(796,620)	(1,227,632)

The Corporation is exempt from income taxation in terms of the second schedule of the Income Tax Act (52:01).

STATEMENT OF FINANCIAL POSITION

as at 31 March 2011

ASSETS	Notes	**2011 P'000**	2010 P'000
Non-current assets			
Property, plant and equipment	12	12,403,436	8,757,581
Available-for-sale investments	14	3,000	3,000
Investments held-to-maturity	15	31,147	38,860
Consumer loans - hire purchase scheme	16	13,649	8,284
Consumer loans - rural collective scheme	17	6,456	36,656
Standard cost recovery	18	177,939	424,065
		12,635,625	9,268,446
Current assets			
Standard cost recovery	18	202,637	193,979
Standard cost recovery - NESC	19	42,333	-
Investments held-to-maturity	15	235,127	646,584
Consumer loans - hire purchase scheme	16	6,365	2,658
Consumer loans - rural collective scheme	17	4,764	22,733
Consumer loans - NESC	20	30,153	-
Inventories	21	98,773	107,833
Trade and other receivables	22	284,269	177,490
Bank balances and cash		914,887	169,938
		1,819,314	1,321,215
TOTAL ASSETS		14,454,939	10 589 661
EQUITY AND LIABILITIES			
Capital and reserves			
Irredeemable capital	23	2,321,281	1,676,637
Revaluation reserves	24	3,033,157	3,033,157
Other reserves	25	1,765,535	1,716,976
Accumulated loss		(2,002,082)	11,294,505
		5,117,891	5,269,867
Non-current liabilities			
Government grants and advances	26	1,644	2,167
Deferred income - consumer financed projects	27	1,458,428	1,402,631
Borrowings	28	4,141,980	1,448,101
Consumer deposits	29	80,639	68,106
		5,682,691	2,921,005
Current liabilities			
Government grants and advances	26	166,812	45,376
Borrowings	28	12,459	12,663
Trade and other payables	30	1,103,721	487,425
Advances - consumer financed projects	31	920,397	780,660
Provisions	32	11,486	9,552
Other financial liabilities	33	1,439,482	1,010,001
Dividends payable	35.2	-	53,112
		3,654,357	2,398,789
		9,337,048	5,319,794
TOTAL EQUITY AND LIABILITIES		14,454,939	10,589,661

***STATEMENT** OF CHANGES IN EQUITY*

for the year ended 31 March 2011

	Notes	Irredeemable capital P'000	Revaluation reserves P'000	Other reserves P'000	(Accumulated loss)/ Retained earnings P'000	Total P'000
Balance at 1 April 2009		1,645,637	2,688,620	1,588,223	544,019	6,466,499
Total comprehensive loss for the year		-	344,537	-	(1,572,169)	(1,227,632)
Total other comprehensive income for the year		-	344,537	-	-	344,537
Loss for the year		-	-	-	(1,572,169)	(1,572,169)
Transfers	25	-	-	128,753	(128,753)	-
Irredeemable capital contribution		31,000	-	-	-	31,000
Balance at 31 March 2010		1,676,637	3,033,157	1,716,976	(1,156,903)	5,269,867
Loss for the year		-	-	-	(796,620)	(796,620)
Transfers	25	-	-	48,559	(48,559)	-
Irredeemable capital contribution		639,144	-	-	-	639,144
Investment in subsidiary		5,500	-	-	-	5,500
Balance at 31 March 2011		2,321,281	3,033,157	1,765,535	(2,002,082)	5,117,891

STATEMENT OF CASH FLOWS
as at 31 March 2011

	Notes	2011 P'000	2010 P'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from/(used in) operations	35.1	128,091	(96,893)
Dividends paid	35.2	(53,112)	-
Interest paid		(2,171)	(3,642)
Net cash generated from/(used in) operating activities		**72,808**	**(100,535)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		48,559	128,753
Investment in subsidiary		(5,500)	-
Proceeds from disposal of property, plant and equipment		-	2,101
Purchase of property, plant and equipment	12	(3,930,033)	(3,105,251)
Net cash used in investing activities		(3,886,974)	(2,974,397)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(12,718)	(44,851)
Proceeds of borrowings		2,847,565	1,378,593
(Increase)/decrease in consumer loans - hire purchase scheme		(9,070)	31,774
Decrease/(increase) in consumer loans - rural collective scheme		48,169	(9,748)
Increase in consumer deposits		12,533	7,168
Decrease/(increase) in standard cost recovery		283,035	(239,022)
Increase in deferred income - consumer financed projects		55,797	731,947
Decrease in investments held-to-maturity		7,713	32,554
Net settlements on other financial liabilities		(315,198)	(12,637)
Increase in Government grants and advances		121,384	-
Decrease in available-for-sale investments		-	60,000
Tariff subsidy grant		454,000	-
Irredeemable capital contribution from the Government	23	648,954	31,000
Government contribution for acquisition of investment in subsidiary	23	5,500	-
Net cash generated from financing activities		**4,147,664**	**1,966,778**
Net increase/(decrease) in cash and cash equivalents		**333,498**	**(1,108,154)**
Cash and cash equivalents at beginning of the year		816,522	1,924,676
Cash and cash equivalents at end of the year		**1,150,020**	**816,522**
Cash and cash equivalents comprise:			
Investments held-to-maturity		235,127	646,584
Bank balances and cash		914,893	169,938
		1,150,020	816,522

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 March 2011

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and interpretations effective in the current year

The following revised standards and interpretations were available for adoption for the year ended 31 March 2011. These standards and interpretations have not had any impact on the annual financial statements of the Corporation.

Conceptual Framework for Financial Reporting		*Effective Date*
Conceptual Framework	Conceptual Framework for Financial Reporting 2010	No stated effective date, therefore effective from date of issue (September 2010)
Revised	***International Financial Reporting Standards***	***Effective Date***
IFRS 1	First-time Adoption of International Financial Reporting Standards - Revised and restructured	Annual periods beginning on or after 1 July 2009
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	Annual periods beginning on or after 1 January 2010
IFRS 2	Share-based Payment - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRS 2	Share-based Payment - Amendments relating to group cash-settled share-based payment transactions	Annual periods beginning on or after 1 January 2010
IFRS 3	Business Combinations - Comprehensive revision on applying the acquisition method	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IFRS 8	Operating Segments - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010

Standards and interpretations effective in the current year ***(continued)***

Revised International Accounting Standards		Effective Date
IAS 1	Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 7	Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 17	Leases - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 27	Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 28	Investments in Associates - Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 31	Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 36	Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 38	Intangible Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for embedded derivatives when reclassifying financial instruments	Annual periods ending on or after 30 June 2009
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items	Annual periods beginning on or after 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010

IFRIC Interpretation		Effective Date
IFRIC 9	Reassessment of Embedded Derivatives - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRIC 17	Distributions of Non - cash assets to owners	Annual periods beginning on or after 1 July 2009
IFRIC 18	Transfers of Assets from Customers	Transfers received on or after 1 July 2009

SUMMARY *OF SIGNIFICANT ACCOUNTING POLICIES*

for the year ended 31 March 2011 ***(Continued)***

Standards and interpretations effective in the current year (continued)

Standards and interpretations in issue but not yet effective

New/Revised International Financial Reporting Standards		***Annual Periods beginning on or after***
IFRS 1	First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Annual periods beginning on or after 1 July 2010
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	Annual periods beginning on or after 1 July 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation	Annual periods beginning on or after 1 July 2011
IFRS 3	Business Combinations - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2010
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets	Annual periods beginning on or after 1 July 2011
IFRS 9	Financial Instruments - Classification and Measurement	Annual periods beginning on or after 1 January 2013
IAS 1	Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	Annual periods beginning on or after 1 January 2012
IAS 24	Related Party Disclosures - Revised definition of related parties	Annual periods beginning on or after 1 January 2011
IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2010
IAS 32	Financial Instruments: Presentation - Amendments relating to classification of rights issues	Annual periods beginning on or after 1 February 2010
IAS 34	Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The annual financial statements are prepared under the historical cost convention and are presented in Botswana Pula (P). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements incorporate the following principal accounting policies which have been consistently followed in all material respects.

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.

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.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land 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 of the remaining useful lives of the items of property, plant and equipment.

Buildings	25 - 60 years
Generation facilities	20 - 60 years
Transmission facilities	20 - 60 years
Distribution facilities	10 - 45 years
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.

Assets that have an indefinite useful life like land 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2011 (Continued)

IMPAIRMENT

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.

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.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority 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.

RETIREMENT BENEFITS

Contributions to defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions. Contractual gratuities that accrue to contact employees over the period of their employment contracts are expensed over the period of such contracts.

INVESTMENTS IN SUBSIDIARIES

Investments in entities where the Corporation owns more that half of the voting rights are classified as investments in subsidiaries. These investments are initially recognised at cost. At each reporting date, the directors assess the recoverable amount of the investments and recognise an impairment loss where applicable. Where the fair value is greater than cost, the carrying amount is maintained at the original cost of the investment.

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.

GOVERNMENT GRANTS AND ADVANCES

Benefit of the Government loan at a below-market rate of interest
The difference between the proceeds received for below market interest rate loans and the fair value of such loans determined as per the accounting policy on financial instruments is recognised as a Government grant and amortised over the period of the loan. The amortisation is determined as the difference between the actual interest payments and the market interest rate on the fair valued loan.

Other Government grants and advances
Other Government grants and advances comprising grants for emergency power purchases and advances for the Government equity contribution into the Morupule B power plant construction are initially recognised as liabilities on the statement of financial position. These are amortised into the profit or loss to match the expenditure directly related to the grants.

Government advances
Government advances comprise funds advanced by the Government for its equity contribution into the construction of the Morupule B power station. These funds are initially recognised as a liability on the statement of financial position. When the expenditure associated with these advances has been incurred, a transfer of the same amount is transferred to irredeemable capital as additional contribution by the Government.

TARIFF SUBSIDY GRANT

Tariff subsidy grant comprises amounts received from the Government in respect of subsidies on electricity tariffs. This is recognised in the statement of financial position in the period in which they relate to.

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.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is deferred in equity and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

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 entity'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 balance sheet date. 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.

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:
(i) controls, is controlled by, or is under common control with, the entity (this includes parastatals and government departments);
(ii) has an interest in the entity that gives it significant influence over the entity; or

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

FINANCIAL INSTRUMENTS

Financial assets
Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are 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. The Corporation does not have financial assets 'at fair value through profit or loss (FVTPL).

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.

Held-to-maturity investments
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 held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

AFS financial assets
Unlisted bonds and listed redeemable bonds held by the Corporation that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 37.9. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables
Trade receivables, consumer loans (rural collective schemes and hire purchase), and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables 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
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the Estimated future cash flows of the investment have been impacted.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterpart; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

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 Corporations 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

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2011 (Continued)

(FINANCIAL INSTRUMENTS CONTINUED)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- 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 remeasurement 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 37.9.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities 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.

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 comprise 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 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 comprised funds received/receivable from customers and the government of Botswana in advance of capital projects financed by the customers/government. The actual expenditure on thee capital projects is netted off against these advances on consumer financed projects as and when it gets incurred. The carrying amount is considered to be at fair value as the advances are unexpended during the normal course of the business of the Corporation.

STANDARD COST RECOVERY

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 less cost Corporation. 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 area where a connection has already been set up for previous customers at a higher cost. However, due to rising cost of materials which cannot be matched by a revision of the standard levy, the standard cost recovery has not been recoverable. In this regard management is in the process of engaging the government to assist in recovering this amount. Refer to note 16 for information on the recovery plan.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2011 ***(Continued)***

REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

Sale of electricity
Sale of electricity is recognised when consumed. Invoicing is done monthly on an accrual basis. Reconnection charges are recognised when the reconnection services are provided.

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 when all of the following conditions are satisfied

- the Corporation has transferred to the buyer the significant risks and rewards of ownership of the materials;
- the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the materials sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

CRITICAL JUDGEMENT 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 vouchers which consumers key in the serial numbers into their meters installed at their premises. As at reporting date, prepaid electricity that has not been utilised by the consumer should be recognised as deferred revenue in line with IAS 18 - Revenue. However, the consumption of the prepaid electricity is determined by the meter installed at the consumers premises, and the Corporation has got no means to know how much the consumers has not utilised at year end.

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Corporation can measure the revenue reliably. Following this consideration management has concluded that the entire prepaid electricity sales should be recognised in revenue in the year that consumers purchase the electricity vouchers.

Held-to-maturity financial assets
The directors have reviewed the Corporation's held-to-maturity financial assets 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 held-to-maturity financial assets is P266,274,000 (2010: P685,444,000). Details of these assets are set out in note 15.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Useful lives of property, plant and equipment
As described at above, the Corporation reviews the estimated useful lives of property, plant and equipment at the end of each annual 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 prior year as there has been not material change in the condition of the equipment.

Fair value of financial instruments
The estimation of fair value of below market rate of interest government loans includes some assumptions based on current market conditions. The carrying amount of this loan P7,543 million (2010: P8,498 million). Details of the assumptions used and of the results of sensitivity analyses regarding these assumptions are provided in note 37.9.

Provision for bad debts
In assessing the recoverability of trade and other receivables, management consider the age of the outstanding balances and any other indicators to conclude on recoverability. Management's key assumption in this regard is that the balance in the 120 day plus category are likely to be impaired and provisions are recognised for such receivables.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

			2011 P'000	2010 P'000
1.	**REVENUE**			
	Sale of electricity:			
	Mining		432,664	323,773
	Commercial		439,342	315,515
	Domestic		395,963	312,600
	Government		229,932	161,357
			1,497,901	1,113,245
	Interest earned on consumer loans		14,161	20,568
	Reconnection charges		174	1,661
			1,512,236	1,135,474
2	**OTHER OPERATING INCOME**			
	Profit on sale of materials		42,250	41,200
	Other income		12,126	15,216
			54,376	56,416
3	**GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES**			
	Fuel, water and chemicals		106,670	108,421
	Power purchases		1,363,137	995,775
	Maintenance	- Generation	40,688	36,372
		- Transmission, distribution	13,285	70,925
	Amortisation of deferred income	- Other	(42,042)	(31,011)
	Staff costs	- Generation	64,601	58,862
		- Transmission, distribution	189,649	175,083
	Depreciation	- Generation	67,839	54,553
		- Transmission, distribution	138,175	60,313
	Other expenses	- Generation	2,371	6,074
		- Transmission, distribution	20,015	16,131
			1,964,388	1,551,498
4	**REIMBURSEMENT OF EMERGENCY POWER PURCHASES**			
	Advances not spent at beginning of year (note 26)		45,376	-
	Receipts during the year		610,000	149,987
	Expenditure on capital projects		(39,034)	(31,000)
	Direct payments		(90,017)	-
	Repayment of standard cost recovery balance		(239,546)	-
	Advances not spent at end of year (note 26)		(80,064)	(45,376)
	Reimbursement of emergency power purchases		206,715	73,611

4 REIMBURSEMENT OF EMERGENCY POWER PURCHASES *(Continued)*

The Corporation augments its sources of power supply with emergency power that is purchased at a premium. The Government funds the premium associated with such emergency power purchases. During the year, the Government disbursed a total of P610,000,000 (2010: P118,987,000) towards emergency power purchases and other projects associated with emergency power generation.
The receipts from the Government are amortised to profit or loss to match the emergency power purchases charged to profit or loss.

	2011 P'000	2010 P'000
5 ADMINISTRATION AND OTHER EXPENSES		
Staff costs	93,617	134,615
Depreciation of items of property, plant and equipment	68,354	29,468
Auditors' remuneration		
- current audit	1,100	995
- non audit	446	1,124
Board members' fees	119	120
Provision for bad debts	110,154	8,231
Other expenses	142,175	103,023
	415,965	277,576
6 OPERATING LOSS		
Operating loss is arrived at after charging/(crediting) the following items.		
Depreciation of items of property, plant and equipment	274,368	144,334
Loss on disposal of property, plant and equipment	-	10
Repairs and maintenance of property, plant and equipment	11,931	10,452
Provision for bad debts	147,118	8,231
Sale of materials	(149,707)	(176,509)
Cost of materials sold	107,457	136,324
Operating lease charges - property rentals	4,304	3,393
7 STAFF COSTS		
Salaries and wages	308,697	298,083
Gratuities	5,314	3,654
Pension contributions	31,278	30,573
Early exit package	923	36,113
Medical retirement package	1,655	137
	347,867	368,560

Staffs costs are included in generation, transmission and distribution and administation expenses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011 (Continued)

		2011 P'000	2010 P'000
8	**TARIFF SUBSIDY GRANT**	454,000	-
	The Corporation's end user tariffs are lower than the generation cost per unit. The Government has approved a plan to gradually ramp up the tariffs to an economically sustainable level. For the year ended 31 March 2011, the Government of the Republic of Botswana has approved and paid a grant of P454 million to partially offset the operating losses.		
9	**INTEREST INCOME**		
	Bank balances on call and investments held-to-maturity	48,559	128,753
10	**FINANCE COSTS**		
	Interest on borrowings	2,171	3,642
	Interest on borrowings capitalised to property, plant and equipment	51,520	1,717
		53,691	5,359
	Less interest capitalised to property, plant and equipment	(51,520)	(1,717)
		2,171	3,642

The interest costs incurred on the Industrial and Commercial Bank of China (ICBC) loan disclosed per note 28 has been capitalised to capital work in progress as it relates to borrowings directly associated with the construction of the Morupule B power station.

		2011 P'000	2010 P'000
11	**FAIR VALUE LOSS ON CROSS CURRENCY AND INTEREST RATE SWAP**		
	Realised fair value loss on cross currency and interest rate swap	315,198	12,637
	Unrealised fair value loss on the cross currency and interest rate swap	429,481	1,010,001
		744,679	1,022,638

As detailed in Note 33, 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 has entered into a pay fixed interest rates and receive floating interest rate hedging arrangement with Standard Bank PLC. The nature of the hedge in place is that it effectively converts the USD$825 million loan into a notional basket currency which historical trends and forecasts have indicated to be highly correlated to the Botswana Pula. The resultant cash flows translate to an effective interest rate of 10.8% which management assessed to be reasonable.

As at 31 March 2011, the fair valuation results indicated a liability of P1,439,482,000 (2010: P1,010,001,000) which was among other factors influenced by the fact the Botswana Pula remained strong against the USD and forecast interest rates remain lower than predictions at the time of entering into the hedge. The hedge structure and set up is under revision with a view to address both the accumulated liability and the effect it has on the profit or loss. The revision will take into account the latest available market information.

12 PROPERTY, PLANT AND EQUIPMENT

	Notes	Land & Buildings P'000	Generation Transmission & Distribution P'000	Other P'000	Capital Work in Progress P'000	Total P'000
2010						
Balance at beginning of year		171,819	3,738,088	56,874	1,487,437	5,454,218
Additions		24,271	31,979	24,773	3,024,228	3,105,251
Disposals		-	-	(5,427)	-	(5,427)
Transfers		3,163	854,854	(101)	(857,916)	-
Revaluation		190,176	154,361	-	-	344,537
Depreciation		(11,095)	(112,470)	(20,769)	-	(144,334)
Accumulated depreciation on disposal		-	-	3,336	-	3,336
Balance at end of year		378,334	4,666,812	58,686	3,653,749	8,757,581
At 31 March 2010						
Cost or valuation		378,552	8,276,491	193,854	3,653,749	12,502,646
Accumulated depreciation		(218)	(3,609,679)	(135,168)	-	(3,745,065)
Carrying amount		378,334	4,666,812	58,686	3,653,749	8,757,581
2011						
Balance at beginning of year		378,334	4,666,812	58,686	3,653,749	8,757,581
Transfer to emergency power grant		-	(9,810)	-	-	(9,810)
Additions		-	5,656	16,628	3,907,749	3,930,033
Transfers		3,801	281,276	111,417	(396,494)	-
Depreciation		(14,393)	(206,013)	(53,962)	-	(274,368)
Balance at end year		367,742	4,737,921	132,769	7,165,004	12,403,436
At 31 March 2011						
Cost or valuation		382,353	8,553,613	321,899	7,165,004	16,422,869
Accumulated depreciation		(14,611)	(3,815,692)	(189,130)	-	(4,019,433)
Carrying amount		367,742	4,737,921	132,769	7,165,004	12,403,436

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011 ***(Continued)***

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Corporation's property, plant and equipment is revalued at 3 year intervals. The the last revaluations were performed as at 31 March 2010.
If the assets had not been revalued, the cost and accumulated depreciation would have been as shown below.

	2011 P'000	2010 P'000
Cost	3,612,976	3,252,862
Accumulated depreciation	(1,357,302)	(1,111,503)
Carrying amount	2,255,674	2,141,359

The details of land and buildings are available at the Corporation's head office. The Corporation is in the process of obtaining copies of all title deeds over its properties owned as a number of title deeds over the Corporation's properties are not available or reflect historical ownership data.

13 INVESTMENT IN SUBSIDIARY

BPC Lesedi (Proprietary) Limited	5,500	-
Less: Provision for impairment	(5,500)	-
Net investment	-	-

The Corporation has a controlling interest in BPC Lesedi (Proprietary) Limited, "BPC Lesedi". This subsidiary is a joint venture between the Corporation (55%) and EDF International (45%). The Corporation's investment is through Government's equity injection. P5 million had been contributed while a further P500,000 remained payable as at 31 March 2011. BPC Lesedi was formed to exploit renewable solar energy sources in Botswana through a fee-for service franchising model under which direct participation by private small scale investors is encouraged and supported. This subsidiary has not been consolidated as its financial statements are not finalised. The Directors believe the financial information of this subsidiary is not material both quantitatively and qualitatively to the financial statements of the Corporation. The Directors believe the cost of this investment is less than the fair value.

14 AVAILABLE-FOR-SALE INVESTMENTS

Barclays Bank of Botswana Limited Bond	3,000	3,000

Available-for-sale investments comprises a Barclays Bank of Botswana Limited bond held as at 31 March 2011. This Bond has a variable rate of interest. At year end the rate was 9.51% (2010:10.3%)and is tradable on the open market. Available-for-sale investments are classified as non-current assets, unless they are expected to be realised within twelve months of the statement of financial position date or if it is management's intention to dispose of the investments within twelve months of the statement of financial position date. The Directors believe the cost of this investment is less than the fair value.

15 INVESTMENTS HELD-TO-MATURITY

Deposits with local banks	235,127	646,584
Deposits with foreign banks	31,147	38,860
	266,274	685,444
Current portion	(235,127)	(646,584)
Long-term portion	31,147	38,860

15 INVESTMENTS HELD-TO-MATURITY *(Continued)*

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 5.75% to 6.15% (2010: 6.3% to 7%). These fixed deposits are invested for periods ranging from 7 to 28 days (2010: 28 to 91 days).

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 28.

			2011 P'000	2010 P'000
	The deposits are denominated in foreign currency as follows:			
	US dollar	$'000	4,781	5,728
	Deposits and short term investments are retained primarily to fund the future replacement of and additions to the Corporation's property, plant and equipment. Interest from these funds is accordingly transferred to the other reserves as disclosed per note 25.			
16	**CONSUMER LOANS - HIRE PURCHASE SCHEME**			
16.1	Hire purchase scheme		60,217	43,162
	Less short-term portion		(6,365)	(17,157)
	Less provision for doubtful debts		(40,205)	(17,721)
	Long-term portion		13,647	8,284
16.2	Hire purchase short-term portion		6,365	17,157
	Less provision for doubtful debts		-	(14,499)
	Short-term portion		6,365	2,658
	Total		20,012	10,942
	Consumer loans represent outstanding balances under the deferred repayment scheme for the cost of capital connections payable by consumers over periods of up to 180 months. 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 prime lending rate, which at the end of the year was 10.25% (2010:11.5%).			
17	**CONSUMER LOANS - RURAL COLLECTIVE SCHEME**			
17.1	Long term Rural Collective Scheme		106,593	136,793
	Less advance from Government		(100,137)	(100,137)
	Long-term portion		6,456	36,656

17 CONSUMER LOANS - RURAL COLLECTIVE SCHEME *(Continued)*

		2011 P'000	2010 P'000
17.2	Short term Rural Collective Scheme	108,462	76,791
	Less advance from Government	(103,698)	(54,058)
	Short-term portion	4,764	22,733
	Total	11,220	59,389

Rural Collective Scheme is a Government initiative 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 10.25% (2010:11.5%). During the year, the Government authorised setting off the dividend payable against the balance of consumer loans - rural collective scheme as at 31 March 2010 amounting P49,640,000.

18 STANDARD COST RECOVERY

	2011 P'000	2010 P'000
Long term portion	196,058	479,093
Less Impairment	(18,119)	(55,028)
	177,939	424,065
Current portion	239,546	239,546
Less impairment	(36,909)	(45,567)
	202,637	193,979
Total standard cost	435,604	718,639
Less impairment	(55,028)	(100,595)
	380,576	618,044
Movement in impairment		
Balance at beginning of year	100,595	-
Impairment recognised during the year	-	100,595
Unwinding of impairment loss on standard cost recovery	(45,567)	-
Balance at end of year	55,028	100,595

18 STANDARD COST RECOVERY *(Continued)*

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 three 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 are determined by the Government. Pursuant to the recovery of these amounts, management sought reimbursement from the Government and a payment plan was agreed, the deficit is being recovered in three equal installments. The first installment due, amounting to P239 million, in the current financial year was settled as per the plan. An impairment was recognised in respect of the loss in time value of money due to delays in settlement of the deficit and is unwound to the profit or loss as the government settles the outstanding balance.

19 STANDARD COST RECOVERY- NESC

	2011 P'000	2010 P'000
Refunds due from the National Electrification Standard Connection Cost Fund	42,333	-

With effect from 1 October 2010, the Government of the Republic of Botswana 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 (5 thebe) levied to customers for every kWh billed.

20 CONSUMER LOANS - NESC

	2011	2010
Consumer loans - NESC	30,153	-

This balance comprises amounts owing from customers for their contribution under the NESC Scheme referred to in note 19. The customer's electricity connection costs 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. These balances are interest free.

21 INVENTORIES

	2011	2010
Coal and fuel	27,758	14,207
Maintenance spares and materials	71,015	93,626
	98,773	107,833

22 TRADE AND OTHER RECEIVABLES

	2011	2010
Electricity sales receivables:		
Mining	41,115	29,064
Commercial	155,542	64,060
Domestic	98,730	35,982
Government	40,073	35,811
Total trade receivables	335,460	164,917
Impairment of trade receivables	(147,118)	(36,964)
	188,342	127,953
Other receivables	88,276	48,364
Prepayments	7,651	1,173
	284,269	177,490

22 TRADE AND OTHER RECEIVABLES *(Continued)*

The average credit period on sale of electricity is 82 days (2010: 54 days). No interest is charged on the trade receivables. The Corporation has provided fully for all receivables over 120 days, because historical experience has shown that receivables that are past due beyond 120 days, are generally not recoverable. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of electricity, determined by reference to past default experience.

The Corporation holds bank guarantees as security against certain of these receivables to the value of P14,524, 568 (2010: P13,179,875). 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 these deposits held by the Corporation is disclosed per note 29.

	2011 P'000	2010 P'000
Movement in the provision for doubtful trade receivables		
Balance at beginning of year	36,964	28,733
Current year provision	110,154	8,231
Balance at end year	147,118	36,964

In determining the recoverability of a 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 concentration of credit risk is disclosed as per the breakdown of electricity sales receivables above. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for doubtful debts.

23 IRREDEEMABLE CAPITAL

	2011	2010
Balance at beginning of year	1,676,637	1,645,637
Contribution received during the year	658,764	31,000
Current year contribution	648,954	31,000
Prior year transfer	9,810	-
Contribution for acquisition of investment in subsidiary (note 13)	5,500	-
Balance at end of year	2,340,901	1,676,637

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

In prior year, the Government provided the Corporation with P31 million to acquire substations for the 90MW diesel power plant. This amount was based on an estimate at the time of finalisation of the financial statements for the year ended 31 March 2010. The actual costs amounted to P21,190,000. The difference of P9,810,000 has been reversed in current year in the movement of property, plant and equipment and irredeemable capital.

24 REVALUATION RESERVES

	2011	2010
Balance at beginning of year	3,033,157	2,688,620
Revaluation during the year	-	344,537
Balance at end of year	3,033,157	3,033,157

24 REVALUATION RESERVES *(Continued)*

The properties revaluation reserve arises on the revaluation of land and buildings, generation, transmission and distribution plant and equipment. Where revalued items are sold, the related portion of the revaluation reserve is effectively realised and is transferred directly to retained earnings.

	2011 P'000	2010 P'000
25 OTHER RESERVES		
Balance at beginning of year	1,716,976	1,588,223
Transfer from retained earnings	48,559	128,753
Balance at end of year	1,765,535	1,716,976

Other reserves comprise amounts transferred annually from accumulated losses. The annual transfers represent the interest received on the Corporation's investments during the year. The purpose of this reserve is to complement the funding requirements for capital expenditure for the Corporation's expansion program.

	2011 P'000	2010 P'000
26 GOVERNMENT GRANTS AND ADVANCES		
Benefit of the government loan at a below-market rate of interest	1,644	2,167
Emergency power grants 70MW and 90MW	80,064	45,376
Other emergency power grants (Seronga, Energia and Eltel)	17,797	-
Advances in respect of Morupule B Power Plant capital expenditure	68,951	-
	168,456	47,543
Less short term portion	(166,812)	(45,376)
	1,644	2,167

The Benefit of the Government loan at a below-market rate of interest represents the difference between the fair value of Government loans received at below market rate of interest and the proceeds received. The grant is amortised to profit or loss over the period of the loan. The amortisation is determined as the difference between the interest on the fair valued loan at market rates and the interest paid at the actual below market rate of interest.

Emergency power grants represent the balance of emergency power funds disbursed to the Corporation at reporting date. The Government funds any power purchased at a premium above normal prevailing prices as well as any capital works aimed at providing energy on an emergency basis. P610 million was received during the year (2010: P118 million). On note 4, the funds received have been reconciled to the statement of comprehensive income.

The Government finances up to 50% of the Morupule B construction expenditure through additional equity contribution. In cases where such equity contribution is received in advance, it is disclosed as a liability to the extent that it remains unspent.

	2011 P'000	2010 P'000
27 DEFERRED INCOME - CONSUMER FINANCED PROJECTS		
Deferred income - consumer financed projects	1,458,428	1,402,631

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

28 BORROWINGS

	Current		Non current	
	2011	2010	**2011**	2010
	P'000	P'000	**P'000**	P'000
Borrowings at amortised cost				
Government of the Republic of Botswana				
Debt Participation Capital Fund	495	930	-	495
Debt Participation Capital Fund	804	739	873	1,677
Debt Participation Capital Fund	1,581	1,469	4,501	6,082
Government of the Republic of Botswana				
(funded by Japanese Overseas Economic Cooperation Fund)	1,063	956	6,480	7,542
- Loan Balance	1,534	1,478	7,653	9,187
- Fair value adjustments transferred to Government grant)	(471)	(522)	(1,173)	(1,645)
Debt Participation Capital Fund	1,498	1,391	4,264	5,762
Nordic Investment Bank	3,883	4,043	3,883	8,090
Government of the Republic of Botswana				
(funded by Nordic Development Fund)	933	916	37,156	37,564
European Investment Bank	2,202	2,219	-	2,295
Industrial and Commercial Bank of China	-	-	4,084,823	1,378,594
	12,459	12,663	4,141,980	1,448,101

	2011	2010
	P'000	P'000
Currency analysis of borrowings		
Pula denominated	21,559	27,043
Foreign denominated	4,132,880	1,433,721
Total borrowings	4,154,439	1,460,764

28 BORROWINGS *(Continued)*

	Security	Interest rate per annum	2011 P'000	2010 P'000
Government of Republic of Botswana				
Debt Participation Capital Fund	On-lent	8.50%	495	1,425
Debt Participation Capital Fund	On-lent	8.50%	1,677	2,416
Debt Participation Capital Fund	On-lent	7.50%	6,082	7,551
Government of Republic of Botswana	On-lent			
(funded by Japanese Overseas Economic Cooperation Fund)	On-lent	3.75%	7,543	8,498
Debt Participation Capital Fund	On-lent	7.50%	5,762	7,153
Nordic Investment Bank	Government of the Republic of Botswana		7,766	12,133
Government of Republic of Botswana (funded by Nordic Development Fund)	Government of the Republic Botswana	3.00-5.00%		
			38,089	38,480
European Investment Bank	Government of Republic of Botswana	3.47%	2,202	4,514
Industrial and Commercial Bank of China Republic of Botswana	Government of	Libor + 160bps	4,084,823	1,378,594
			4,154,439	1,460,764
The borrowings are repayable as follows				
Up to 1 year			12,459	12,663
2 - 5 years			19,068	10,862
Later than 5 years			4,122,912	1,437,239
Total			4,154,439	1,460,764

29 CONSUMER DEPOSITS

	2011 P'000	2010 P'000
Consumer deposits	80,639	68,106

Consumer deposits comprise amounts received from customers held as security against failure to settle accounts.
These ordinarily represents two months estimated electricity sales to the customer and are refundable on closing the customer account.

30 TRADE AND OTHER PAYABLES

	2011 P'000	2010 P'000
Trade and other payables	367,880	256,279
Refund due to Government	270,000	-
Interest on borrowings	4,342	1,472
Staff costs	35,391	39,935
Retentions	426,108	189,739
	1,103,721	487,425

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 time frame.

31 ADVANCES - CONSUMER FINANCED PROJECTS

Advances received from customers	920,397	780,660

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. As at year end, the Corporation held some CFP projects in debit balances totalling to P168,469,247 and an extrapolated amount of P118,223,454 was provided for as possibly impaired.

32 PROVISIONS

	Legal provision P'000	Gratuity P'000	Decommissioning costs P'000	**Total P'000**
Balance at 1 April 2010	1,554	7,110	888	9,552
Additional provisions raised	2,900	5,314	-	8,214
Reductions due to case withdrawals/ payments	(1,500)	(4,780)	-	(6,280)
Balance at 31 March 2011	2,954	7,644	888	11,486

(a) Legal provision
The provision represents claims under employee disputes and claims for public liability.

(b) Gratuity provision
Gratuity provision is recognised in respect of contractual obligations with contract employees, to pay a certain percentage of their basic pay as a lump sum at the end of their contracts.

(c) Decommissioning costs
The provision for decommissioning costs represents the present value of the directors' estimate to dismantle the idle Selebi Phikwe substation.

33 OTHER FINANCIAL LIABILITIES

	2011 P'000	2010 P'000
Financial liabilities carried at fair value through profit or loss (FVTPL)		
Balance at beginning of year	1,010,001	-
Fair value loss for the year	744,679	1,022,638
Realised loss (payments)	(315,198)	(12,637)
Balance at end of year	1,439,482	1,010,001
Comprising:		
Total fair value loss	1,767,317	1,022,638
Total realised fair value loss	(327,835)	(12,637)
	1,439,482	1,010,001

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 has entered into a pay fixed interest rates and receive floating interest rate hedging arrangement with Stanbic Bank PLC. The swap matures every six months starting on 15 January 2010. The swap is made up of a basket of notional currency on which interest is calculated on the predetermined notional currency amounts at a fixed interest rate and converted to Botswana pula on 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 its calculated based on the same rate charged on the loan from ICBC. 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	
	2011 %	2010 %	2011 %	2010 %
South African Rands	13.35	13.35	65	65
United States Dollars	6.47	6.47	15	15
Euro	6.30	6.30	10	10
British Pound	6.67	6.67	5	5
Japanese Yen	4.07	4.07	5	5
			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 draw down 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.

33 OTHER FINANCIAL LIABILITIES *(Continued)*

	2011 USD'000	2010 USD'000	2011 P'000	2010 P'000
Notional hedged amount	692,987	444,174	4,514,573	3,013,392
Loan draw down (Note 28)	(627,020)	(203,205)	(4,084,823)	(1,378,594)
Over hedged amount	65,967	240,969	429,750	1,634,798

34 COMMITMENTS

		2011 P'000	2010 P'000
34.1	**Capital commitments**		
	Authorised but not contracted	221	437
	Authorised and contracted	5,834,954	9,749,024
		5,835,175	9,749,461

The Corporation will finance the above expenditure through internal funds and external borrowings.

34.2 Operating lease commitments

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

	2011 P'000	2010 P'000
Within one year	392	413
Later than one year but not later than 5 years	9,123	10,137
	9,515	10,550

35 NOTES TO THE STATEMENT OF CASH FLOWS

35.1 Cash generated from/(used in) operations:

	2011 P'000	2010 P'000
Loss for the year	(796,620)	(1,572,169)
Tariff subsidy grant	(454,000)	-
Interest received	(48,559)	(128,753)
Interest paid	2,171	3,642
	(1,297,008)	(1,697,280)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	274,368	144,334
Other gains and losses (Note 11)	744,679	1,022,638
Fair value adjustment on standard cost recovery	(45,567)	100,595
Impairment provision: BPC Lesedi (Pty) Ltd	5,500	-
Write off of investment in associate	-	537
Amortisation of Government grant	(471)	(566)
Unrealised exchange differences on long term borrowings	(141,172)	7,813
Profit on disposal of property, plant and equipment	-	(10)
	(459,671)	(421,939)

35	NOTES TO THE STATEMENT OF CASH FLOWS *(Continued)*	2011 P'000	2010 P'000
35.1	**Cash generated from/(used in) operations *(Continued)*:**		
	Cash flows from working capital changes:		
	Increase in standard cost recovery - NESC	(42,333)	-
	Decrease in inventories	9,060	31,433
	Increase in trade and other receivables	(106,779)	(27,522)
	Increase in trade and other payables	616,296	240,414
	Increase/(decrease) in provisions	1,934	(4,464)
	Increase in consumer loans - NESC	(30,153)	-
	Increase in advances - consumer financed projects	139,737	85,185
		587,672	325,046
	Cash generated from/(used in) operations	128,091	(96,893)
35.2	Dividend paid		
	Amounts unpaid at beginning of the year	53,112	53,112
	Amounts unpaid at end of the year	-	(53,112)
	Dividend paid	53,112	-

The Government allowed the Corporation to offset the dividend payable against the amounts due from the Consumer Loans - Rural Collective Schemes detailed in Note 17 amounting to P49,640,000, the balance was settled to the Government in cash.

36 RETIREMENT BENEFITS

All permanent citizen employees of the Corporation are members of a retirement benefit plan operated by independent administrators. This fund is registered under the Pensions 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 that are not members of the retirement benefit plan are entitled to gratuities that are a percentage of the basic salary over the period of their employment contracts.

The contributions recognised as an expense for the retirement benefit plan and the gratuity expense are disclosed per note 8.

37 FINANCIAL INSTRUMENTS

37.1 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 strategy remains unchanged from 2010.

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.

	2011 P'000	2010 P'000
Gearing ratio		
Debt	9,337,048	5,319,794
Cash and cash equivalents	(1,150,020)	(816,522)
Net debt	8,187,028	4,503,272
Equity	5,269,867	6,466,499
Net debt to equity ratio (%)	155%	70%

37.2 Categories of financial instruments

	2011 P'000	2010 P'000
Financial assets at amortised cost		
Held-to-maturity investments	266,274	685,444
Loans and receivables (including cash and cash equivalents)	1,202,640	371,646
Available-for-sale financial assets	3,000	3,000
	1,471,914	1,060,090
Financial liabilities at amortised cost		
Other liabilities	9,323,918	5,308,075

37.3 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.

37.4 Market risk

The Corporations activities expose it primarily to the financial risk of changes in foreign exchange rates (see 37.5 below) and interest rates (see 37.6) below. The risk of movements in foreign exchange rates is mitigated though.

- 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 33.

37 FINANCIAL INSTRUMENTS *(Continued)*

37.5 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	
	2011 P'000	2010 P'000	**2011 P'000**	2010 P'000
Denominated in the following currencies:				
United States Dollar	4,310,876	1,505,092	75,958	96,289
Japanese Yen	-	145	-	-
South African Rand	94,426	150,857	9,812	4,575
Euro	688	-	-	-
	4,405,990	1,656,094	85,770	100,864

37.5.1 Foreign currency sensitivity analysis

The following table shows the effect of a 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.

	2011 P'000	2010 P'000
Increase in loss for the year	(216,011)	(77,762)

37.6 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.

37.6.1 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.

37 FINANCIAL INSTRUMENTS *(Continued)*

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

	2011 P'000	2010 P'000
Loss for the year would (decrease)/increase by	38,006	12,011

37.7 Credit risk management

Credit risk refers to the risk that a counterpart 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. Ongoing 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 trade accounts receivables is disclosed on note 22. The most significant credit risk concentration of other financial assets are disclosed as follows.

Barclays Bank of Botswana Limited	-	164,300
African Alliance	23,047	46,379
African Banking Corporation (Proprietary) Limited	125,406	136,533
Stanbic Bank Botswana Limited	-	30,145
Stanbic Investment Management Services	35,866	-
Standard Chartered Bank of Botswana (Proprietary) Limited	3,108	152,227
Bank Gaborone (Proprietary) Limited	50,700	120,000
Barclays Bank of Botswana PLC London	31,147	38,860
Total	269,274	688,444

37.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Corporation's short, medium and long-term funding and liquidity management requirements. The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 37.8.2 is the amount of undrawn facilities that the Corporation has at its disposal to further reduce liquidity risk.

37.8.1 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's can be required to pay. The table includes only principal cash flows.

37 FINANCIAL INSTRUMENTS *(Continued)*

	Up to 1 year P'000	2 to 5 years P'000	+ 5 years P'000	Total P'000
2011				
Fixed interest rate	12,459	19,068	-	31,527
Variable interest rate	-	-	4,084,823	4,084,823
Non interest bearing	2,047,405	-	-	2,047,405
	2,059,864	19,068	4,084,823	6,163,755
2010				
Fixed interest rate	12,663	10,862	-	23,525
Variable interest rate	-	-	1,378,594	1,378,594
Non interest bearing	1,376,125	-	-	1,376,125
	1,388,788	10,862	1,378,594	2,778,244

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets based on the earliest date on which the Corporation's will receive cash settlement. The table includes principal cash flows only.

	Up to 1 year P'000	2 to 5 years P'000	+ 5 years P'000	Total P'000
2011				
Variable interest rate	-	3,000	-	3,000
Non interest bearing	284,269	-	-	284,269
Fixed interest rate	235,127	31,147	-	266,274
	519,396	34,147	-	553,543
2010				
Variable interest rate	-	-	3,000	3,000
Non interest bearing	177,490	-	-	177,490
	646,584	38,860	-	685,444
	824,074	38,860	3,000	865,934

37.8.2 Facilities

The Corporation has access to financing facilities, the total unused amount which is P40 million (2010: P20 million) at the statement of financial position. The Corporation expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

37.9 Fair value

The directors of the Corporation believe that all the carrying amounts of all financial instruments approximate fair value. The fair value of these financial instruments is determined based on the accounting policy on financial instruments. The key assumption used is a market interest rate of 11% (2010: 11%) to discount the future cash flows on settlement of the Government loan.

37 FINANCIAL INSTRUMENTS (Continued)

37.9.1 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 P'000	Level 2 P'000	level 3 P'000	2011/03/31 Total P'000
Available-for-sale financial assets				
Quoted bonds	3,000	-	-	3,000
Financial liabilities at FVTPL				
Derivative financial liabilities	-	-	1,439,482	1,439,482

There were no transfers between Level 1 and 2 in the period.

38 CONTINGENT LIABILITIES

	2011 P'000	2010 P'000
(a The Corporation has guaranteed the obligation of certain employees under its motor vehicle and residential housing schemes in a total amount of	12,729	15,982

(b) Italswana Construction (Proprietary) Limited Vs the Corporation
The Corporation is a defendant in a claim brought by Italswana Construction (Proprietary) Limited wherein the respondent seeks claim for P4,914,335 inclusive of interest for costs suffered, occasioned by various delays caused by the Corporation in a construction project. The matter is being decided by an Arbitrator.

39 RELATED PARTY BALANCES AND TRANSACTIONS

	2011 P'000	2010 P'000
Amounts due (from)/to:		
Botswana Unified Revenue Service (Value added tax)	179,047	(54,680)
Botswana Unified Revenue Service (Withholding Tax)	1,282	2,694
Botswana Unified Revenue Service (Import Value added tax)	58,936	56,149
	239,265	4,163
Remuneration of key entity personnel:		
Salaries and other short term employee benefits	9,436	6,001
Terminal benefits	534	121
	9,970	6,122

Trade receivables due from the Government is disclosed in Note 22. Electricity sales to the Government of the Republic of Botswana during the year ended 31 March 2011 are disclosed per Note 1. Borrowings from the Government are disclosed in Note 28. Note 26 Details the balance of advances received from the Government for emergency power purchases

40 SUBSEQUENT EVENTS

Subsequent to year end the Government has injected P381 million in respect of tariff subsidies for the 2011/12 financial year.

In addition, the Corporation's energy tariffs were increased by 30% (15% for any usage less than 200kWh per month) effective 1 June 2011.

The Corporation implemented a voluntary staff early exit exercise with a total of 82 employees of various grades being exited at a cost of P68,723,000 in separation pay outs. This is part of the phased approach to the staff optimisation strategy that the Corporation is implementing.

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

The Corporation has not complied with the requirements of Section 17 of the Botswana Power Corporation Act (Chapter 74:01) which requires the Corporation to conduct its affairs on sound commercial lines and to produce a net operating income by which a reasonable return can be measured. An operational loss of P153,026,000 (2010: P563,573,000) was incurred after a tariff subsidy of P454 million received from the Government of the Republic of Botswana mainly due to high unit costs of production compared to unit selling price.

42 GOING CONCERN

The Corporation has incurred a loss for the year of P796,620,000 (2010: P1,572,169,000). The Board considers the going concern of the Corporation to be at risk and is dependant on continued Government support in the form of the following:

(a) Approval of tariff increases and;
(b) Tariff subsidies
(c) Reimbursement of emergency power purchases incurred by the Corporation