BOTSWANA POWER CORPORATION
committed to serve
today ...
tomorrow ...

Service organisation
facilitating sustainable
and diversified development

Botswana Power Corporation
Annual Report
2008

BOTSWANA POWER CORPORATION

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Website : www.bpc.bw

committed to serve ...
Today...
Tomorrow...

Mission

As a service organisation,
we facilitate sustainable and diversified
development of our country
by rendering quality electrical energy services
that are affordable, efficient, safe
and evironmentally prudent.

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

Service organisation

facilitating sustainable and

diversified development

"Service organisation facilitating sustainable & diversified development"

Botswana Power Corporation Annual Report 2008

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Board Members

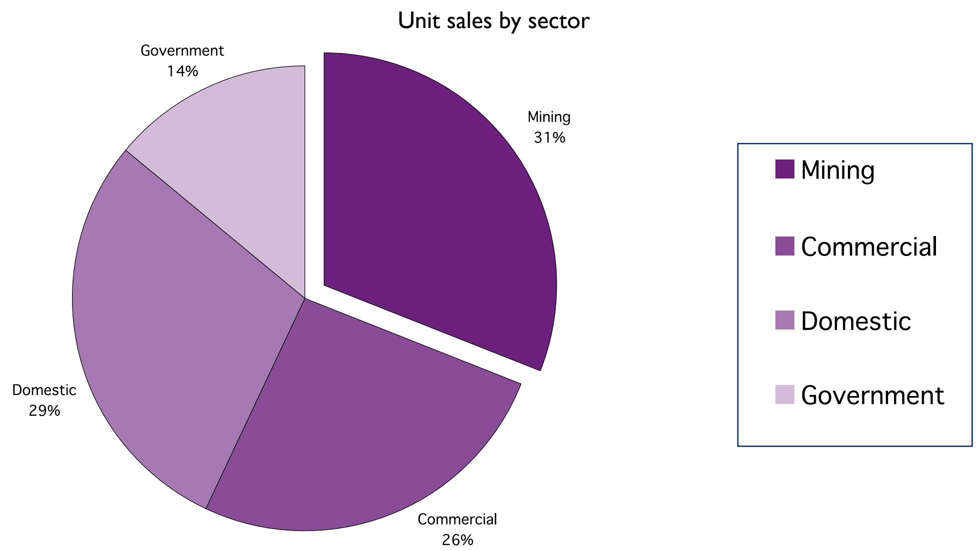
Left to Right

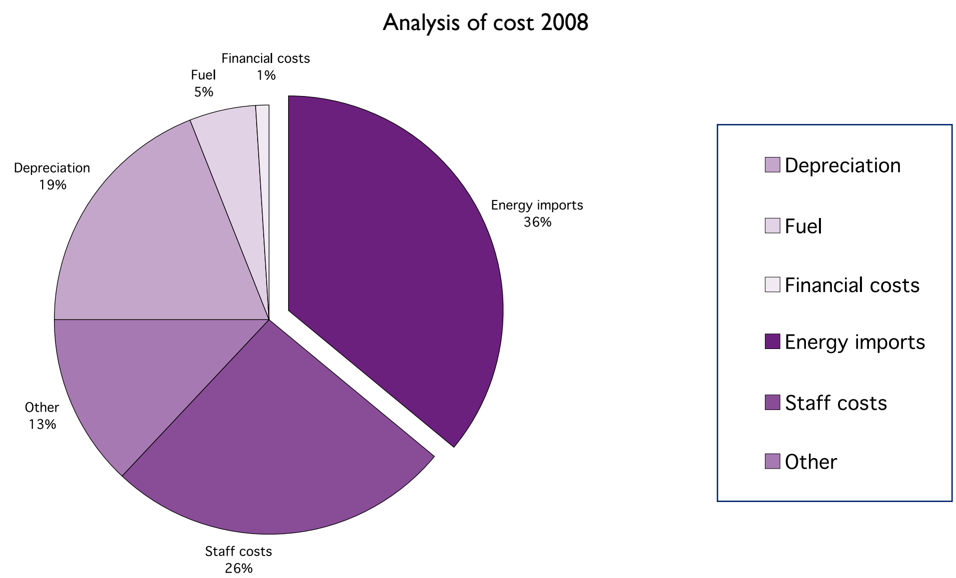
1. G Ndlovu - Member	BCL Ltd
2. P Kanedi - Member	Can Manufacturers, P.O. Box1290, Lobatse.
3. F Motlhatlhedi - Member	P.O.Box 81534 Gaborone
4. E T Rakhudu - Chairman of the Board	Bank of Botswana
5. S M Koontse - Vice Chairman of the Board	Advance Software Technology
6. A Kgosidintsi - Member	P.O. Box 10137, Gaborone.
7. B Morewagae - Member	Ministry of Trade, Industry and Commerce

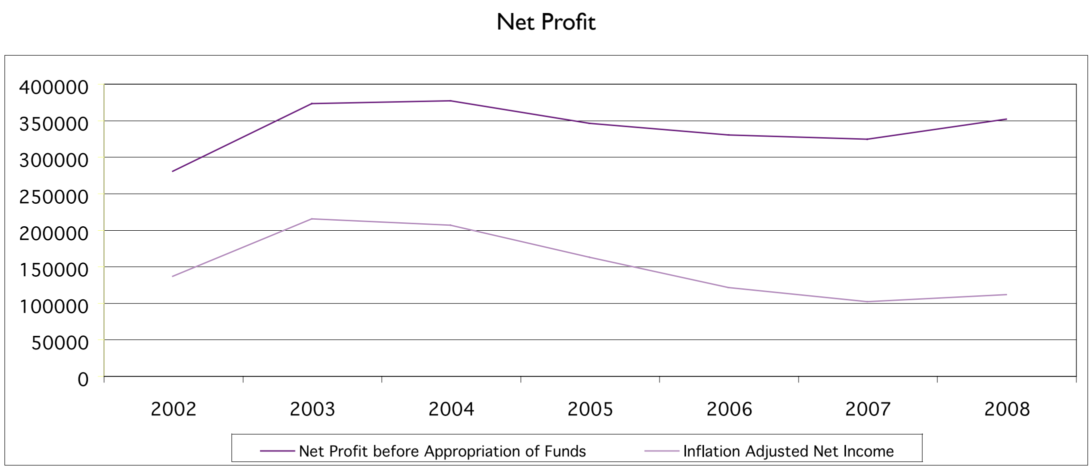
Management Team

1. Mr AUK Joseph
   Generation Director
2. Mr E Rugoyi
   Transmission Director
3. Mr G Mmola
   Acting Customer Services and Supply Director
4. Mr A Motsepe
   Rural Director
5. Mr JH Helmand
   Corporate Services Director
6. Mr NJ Raleru
   Acting Chief Executive Officer
7. Ms R Mgadla
   Chief Financial Officer
8. Mr N N Balule
   Corporation Secretary
9. Ms S Ratshosa
   General Manager Corporate Human Resources

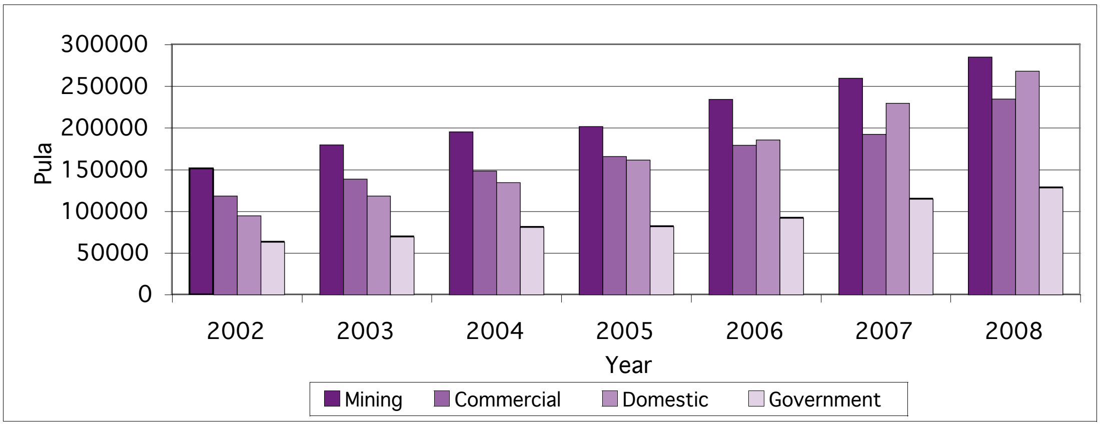
Financial & Operational Highlights



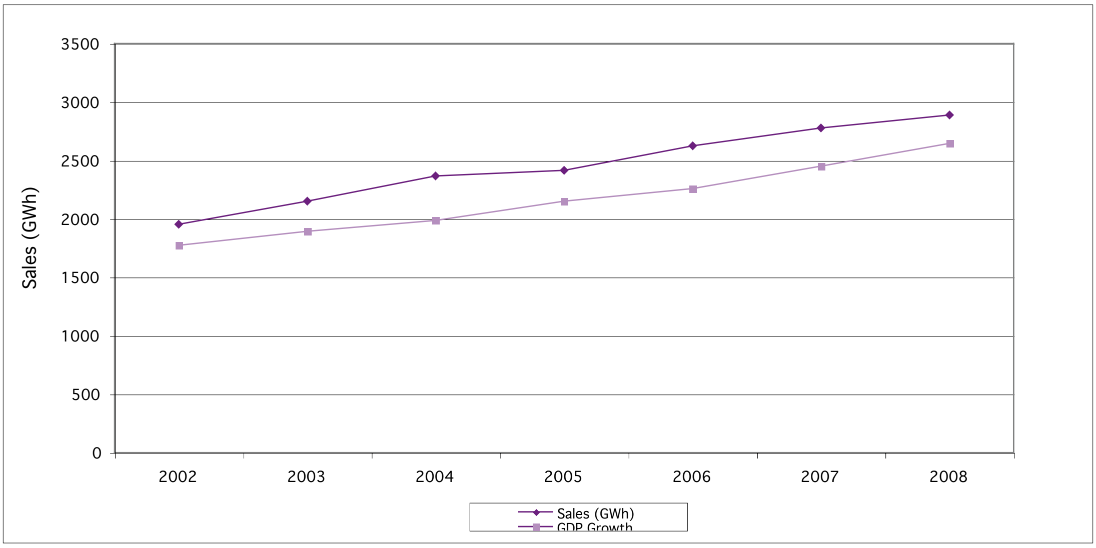




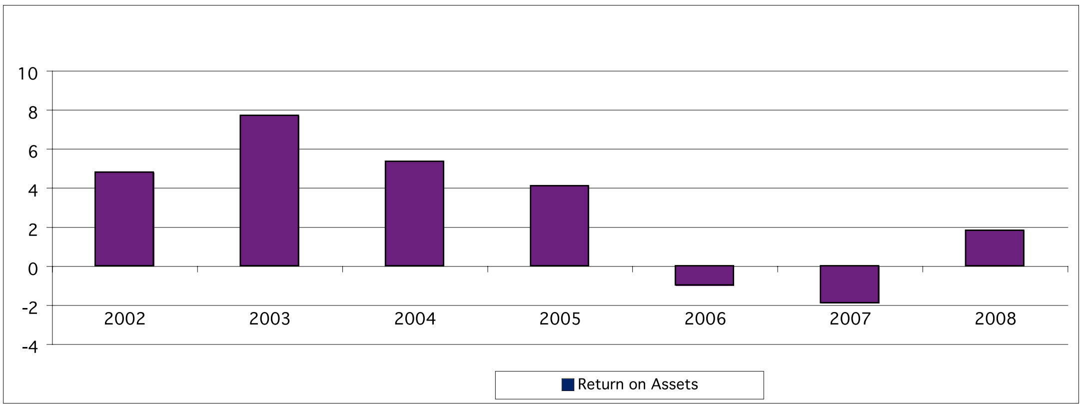
Sales Revenue - By Category



Total unit Sales V`s GDP Trend



Return on Revalued Property, Plant and Equipment



VITAL STATISTICS

Operational Statistics	2008	2007	2006	2005
Revenue (P'000)	938,555	819,680	714,809	633,887
Net profit (P'000)	111,143	101,305	120,718	216,585
Return on revalued fixed assets (%)	1.81	(1.9)	(1.0)	4.1
Total unit sales (GWh)	2,889	2,777	2,626	2,416
Total generation (sent out) and imports (GWh)	3,215	3,120	2,917	2,731
Head count	2010	2,015	2,091	2,111
Total consumers	196,755	166,651	151,800	136,216
Plant capacity (MW)	132	132	132	132
System maximum demand (MW)	493	473	434	402
Average selling price per unit (Thebe/kWh)	31.73	28.7	26.3	25.3

ANNUAL STATISTICS

	2007/08	2006/07	2005/06	2004/05	2003/04
Revenue (P'000)	938,555	819,680	714,809	633,887	581,855
Operating profit	(85,767)	(63,414)	(27,098)	77,323	66,578
Net profit	111,143	101,305	120,718	216,585	206,006
Capitalisation (P'000)					
Long term debt	135,803	130,163	135,822	139,274	155,506
Net assets	5,069,837	4,720,903	4,582,454	3,287,227	2,397,126
Capital expenditure and WIP	628,114	168,888	226,778	259,801	198,837
Electricity (GWh)					
Source					
Morupule	697.0	821.5	977.1	941.7	823.1
Station usage	66.5	95.4	110.8	108.8	96.3
Sent out	630.5	726.1	866.3	832.9	726.8
Purchased	2,585	2,393.6	2,050.4	1,898.3	1,915.2
Total sent out and purchased	3,215.8	3,119.7	2,916.7	2,731.2	2,642.0
Sales disposition (GWh)					
Mining	1186.2	1,199.0	1,184.3	1046.6	1077.1
Commercial	683.9	634.0	631.1	613.1	572.8
Domestic	745.1	681.7	584.4	539.3	489.4
Government	273.5	262.0	226.6	216.9	227.1
Total sales	2,888.7	2,776.7	2,626.4	2,415.9	2,366.4
Transmission and distribution losses (GWh)	327.1	343.0	290.3	315.3	275.6
System losses (%)	10.2	11.0	10.0	11.5	10.4
Total consumers	196,755	166,651	151,800	136,216	122,625
Sales growth (%)					
Mining	-1.07	1.24	13.16	(2.8)	7.6
Commercial	7.9	0.5	2.9	7.0	7.4
Domestic	9.3	16.6	8.4	10.2	16.6
Government	4.39	15.62	4.47	(4.5)	15.7
Total sales growth	4.0	5.7	8.7	2.1	10.1
Average selling price (thebe)	31.7	30.5	26.3	25.3	23.6
Earning ratios (%)					
Net margin	11.8	12.4	16.9	34.2	35.4
Earnings to irredeemable capital	76.3	69.6	82.9	148.7	141.5
Return on total average assets employed	1.81	1.83	2.6	6.1	7.1
Operating profit to revenue	(9.1)	(7.7)	(3.8)	12.2	11.4
Return on revalued property, plant and equipment	(2.27)	(1.86)	(1.0)	4.5	5.3

Ms E T Rakhudu
Chairman of the Board, Botswana Power Corporation

Chairman's Review

In accordance with the provisions of Section 23 (1) of Botswana Power Corporation Act CAP: 74:01, it is my honour and privilege to present, on behalf of the Board, the Annual Report for the 2007/08 Financial year ending 31st March 2008.

31st March 2008 marks the end of the fifth year of a 6 year National Development Plan which covers the period 01st April 2003 to 31st March 2009. It also leaves eight years and five months to the realization of the Seven Strategic Priorities of our country, as enshrined in the 7 Pillars of Vision 2016, Prosperity for All.

During the period under review, and similarly to the last, the Corporation's goal remained that of supporting the NDP 9 theme, which is "Towards Realisation of Vision 2016: Sustainable and diversified Development through Competitiveness in Global markets".

Given that energy is a prerequisite for successful industrialization, the provision of an electrical service that is reliable, affordable and of good quality continued to be the main focus in conducting the Corporation's affairs. The Corporation realizes that without the provision of an efficient and effective service to the country, the nation's efforts to achieve a sustainable diversification of the country's economy will come to nothing. In this regard, rendering an efficient and effective service, in an unregulated environment devoid of competition, remained a major challenge.

Re-affirmation of Basic Principles

Against a backdrop of continued volatility in commodity prices, which have been characterised by an upsurge in base metal prices, I find it prudent to re-affirm the Corporation's total support of the Government's economic and financial policies.

Business Environment

During the period under review, the business environment continued to impose a strain on the Corporation's financial resources.

The major factors that adversely affected the financial performance of the Corporation, were as follows:

1. a 4.6 percent per annum load growth in the Southern African Power Pool, which translates to 1600MW, leading to an ever diminishing surplus generating capacity in the region, resulting in:-

   (a) an ever increasing cost of imports, consistent with the normal rules of supply and demand;

   (b) difficulties in sourcing power from the Southern African Power Pool, especially during peak hours.

2. increase in the cost of imports brought about by the depreciation of the Pula against the Rand, given that more than 80 percent of the country's power requirements were met through imports, mainly from the Republic of South Africa.

During the period under review, and similarly to the last, the Corporation's goal remained that of supporting the NDP 9 theme, which is "Towards Realisation of Vision 2016: Sustainable and diversified Development through Competitiveness in Global markets"

3. in the Government's quest to meet the diverse needs of the economy, both the level and timing of the tariff increase requested by the Corporation did not match the Corporation's requirements. In fact there was no tariff increase in the year under review. Needless to say, this exacerbated the financial challenges and performance of the Corporation, and;

4. a sharp increase in other operating costs, other than cost of imports, brought about by steep increases in the price of base metals, (copper being a case in point), fuel costs and depreciation charges.

Flowing from the above, the Corporation made a loss from operations of P85,8 million compared to a budgeted near break-even. Against this background, investment income has continued to support and sustain the Corporation, resulting in an overall Net Profit for the year of P111,1 million.

In order to mitigate against what is clearly likely to be an adverse business climate, a decision was taken to restructure the Corporation, based on a recently adopted strategic plan. Although this process was started in the previous reporting period, I feel obliged to restate it because the new structure became operational with effect from 1st April 2007. The new strategic direction maps out the manner in which the Corporation conducts its business currently, and in future, viz:

(a) shape the future by influencing the path towards deregulation/privatization by delivering services at levels of efficiency and effectiveness comparable to similar enterprises operating in a competitive environment; and:

(b) adapt to the future by preparing to operate under a deregulated environment by optimizing efficiency and shedding all activities that add cost rather than value.

Financial Performance

Unit sales grew by 4.03 percent, in GWh terms. Revenues grew from P819,7 million to P938,6 million constituting a 14.5 percent growth.

The Corporation continued to put measures in place to reduce operating expenses. In this regard, staff costs, Import costs and Depreciation contributed 26 percent, 37 percent and 18 percent to the operating costs, respectively. It is noted that import costs increased from 31.9 percent in the previous year.

Key Financial Performance Indicators for the period under review were:

Performance Area	Target (Budget)	Achieved
Return on Average Total Assets	-3.34%	1.81%
Return on Investments	10,5%	11.7%
Return on Revalued Fixed Assets	-11.71%	-2.32%
Cost of Borrowing	9.0%	7.42%
Return on Equity	5.02%	2.27%

Chairman's Review contd.

The financial performance of the Corporation has, for the last five years (2003/04, 2004/05, 2005/06, 2006/07 and 2007/08) continued to show a steep downward trend. The decline comes at the time when the Corporation is engaged in a major generation expansion project in response to a large reduction in the region's surplus generating capacity. The Board is, therefore, committed to accelerating the Corporation's restructuring programme to ensure that it operates in an optimal manner, taking full advantage of the continuing growth in the economy brought about by, among other things, favourable commodity prices, which benefit the mining sector. Emphasis will continue on doing more with less, as well as becoming a customer focused organisation despite operating in a monopolistic environment. The fact that for three consecutive years the business made an operating loss is a source of great concern and a significant incentive to accelerate strategic objectives.

During the reporting period, the Corporation succeeded in concluding a new five year Power Purchase Agreement with Eskom for the period 2008–2012, albeit with a stepped down supply. The Corporation's efforts to diversify its electrical energy suppliers, I am afraid, did not bear much, largely because of, inter alia, the general deficit in generating capacity and the increase in the power demand in those countries, which had traditionally been exporters of power, such as Zambia.

Vision 2016

Over the years, the Corporation has embarked on programmes that are meant to internalize the 7 Strategic Priorities of Vision 2016 and has been commended for efforts in this regard by the 2016 Vision Council. Furthermore, the Corporation has continued to implement its social responsibility progamme by engaging in various community initiatives such as manning of Road Blocks during extended public holidays, as a means of promoting the "Building of a Safe and Secure Nation" Pillar. As 2016 fast approaches, efforts will be doubled to ensure that contributions towards the realization of Vision 2016 goals are intensified.

Meeting Increased Power Requirements

Electricity is a commodity that is consumed as it is produced, hence issues of reliability, cost and quality of service remained top priorities. Efforts to achieve diversification of the economy will come to nothing unless the Corporation is able to provide a good quality and reliable electricity supply. It is against this background that the Corporation invested P17,3 million in electricity infrastructure enhancement to meet the ever increasing load growth, as well as to improve its quality and reliability.

Morupule Power Station Generation Expansion

Significant progress was made towards the tender award for the Morupule Generation Expansion Project with the appointment of critical project consultants such as the Owner's Engineer and the Financial Advisor, Messrs Fichtner and Bank Muskat/SBI, respectively. Other key aspects of the project such as water exploration proceeded well and there are clear indications that there is adequate underground water to meet project requirements.

An upsurge in applications, especially for new mining activity, necessitated a review of the country's twenty-year load forecast. A decision was made in November 2006, to increase the installed capacity of Morupule from the originally planned 400MW (4 x 100MW units) to 600MW (4 x 150MW units). A decision was further made to conduct an add-on feasibility study on the economic and financial viability of installing an additional 600MW, bringing the total installed capacity to 1200MW. The plan is to implement the project (600MW plus 600MW) in a seamless manner between 2007 and 2013, as Morupule Expansion Project Phases 1 and 2. All is being done to ensure that some, if not all, units are commissioned by 2011.

I thank the Botswana Government for the tremendous support it has given the Project, without which the Project would not have come this far.

Chairman's Review contd.

Meeting the Country's Power Requirements 2008 to 2012 and Regional Cooperation

The ever-diminishing surplus generating capacity in the region continues to pose major challenges. As previously stated, the power shortage that was forecast to occur between 2007/2010 came earlier than expected, due mainly to unprecedented demand growth in the region. During the latter quarters of the year under review, it was necessary to implement demand load curtailment measures to manage the precarious supply demand balance, which resulted in Botswana's first experiences of load shedding.

The deficit in generation capacity is forecast to continue until 2012, and against this background, Demand Side Management Programmes have been stepped up. These initiatives, will be aimed at the promotion of effective uses of electricity with the intention of ensuring that economic growth is sustained between now and the time Morupule B is commissioned. The Corporation has launched a number of initiatives to manage demand loads, shift demand to off peak periods and educate the nation towards energy conservation, through the National Electricity Efficiency Campaign.

Meanwhile the Corporation maintains constant contact with neighbouring countries for possible long-term power purchase agreements. However, as already stated, improvements in commodity prices have resulted in some countries being unable to offer any excess capacity as this is now required for their own internal expansion programmes.

Furthermore, the Corporation is providing active support to the development of the following major projects:

(a) Mmamabula Export Power Station;

(b) Generation of Power from Coal Bed Methane;

(c) Generation of Power on a large scale from Solar Thermal;

(d) Open Cycle Gas Turbines; and

(e) Western Corridor Power Project (Westcor)

During the reporting period, the Corporation continued to be an active member of the Southern African Power Pool (SAPP). In this regard, about 80 percent of the national power requirements were met through imports.

The Corporation also subscribes to the promotion of equitable sharing of benefits and costs through SAPP, which translates into the sharing of the capital investment. Consequently, and as reported previously, the Corporation joined hands with the National Electricity Utilities of Angola, Democratic Republic of the Congo (DRC), Namibia, and South Africa to form the Western Power Corridor Company (WestCor) aimed at developing the Inga III 3,500MW potential on the Congo River in the DRC. This will also include building transmission and telecommunication infrastructure linking the five countries.

Regulatory Reforms for Infrastructure and Utility Sectors

I regret to advise that little progress was made in implementing the recommendations contained in the report on "Appropriate Regulatory Reforms for Infrastructure and Utility Sectors in Botswana". Attempts were made to appoint a consultant to draw up a one year performance Compact that was to have been entered into between the Government of Botswana and the Corporation. However, the process has not achieved much. In the meantime, regulations have been amended to facilitate the licensing of Independent Power Producers and the Corporation anxiously awaits the appointment of a Regulator, in view of the ever increasing number of entities which wish to participate in the industry.

Chairman's Review contd.

Restructuring the Corporation

Pursuant to the Corporation's new Strategic Direction of Shaping and Adapting to the future, and in preparation for the restructuring of the Electricity Supply industry in Botswana, and as alluded to earlier, the Corporation implemented a new business model and structure, with effect from April 2, 2007. Improving Operational Efficiency is at the core of this Programme, through which the Corporation is expected to become a more customer focused organization, responsive to the needs of Customers.

A new Executive Team and a majority of Senior Managers have already been appointed.

Government and Management of Risk

The Corporation strives for good governance and, following the adoption of the Board Charter, Code of Ethics and Conduct and Whistle Blowing Policy, the Management was directed to operationalise these critical Policies, taking into account governance best practice.

The Corporation is also actively managing the impact of the 10 (ten) identified high risk areas, which are:-

(i) SAPP generation capacity/securing power supplies

(ii) HIV and AIDS

(iii) realisation of benefits from restructuring investments

(iv) fraud and theft

(v) bureaucracy and inefficient processes

(vi) input cost drivers

(vii) tariffs

(viii) leadership and competencies

(ix) service costs

(x) skills availability

Conclusion

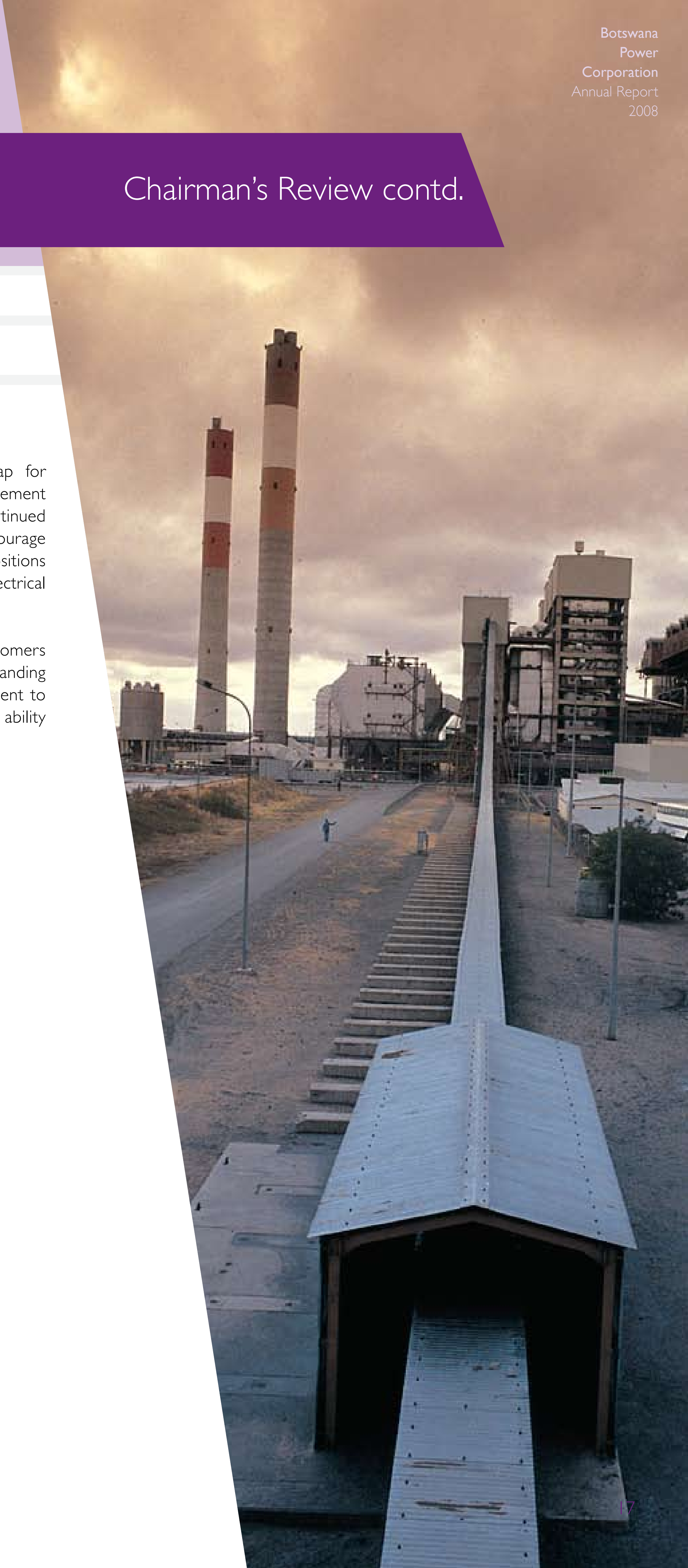
As in the immediately preceding years, the year under review was especially challenging, both financially and in terms of operations. This is reflected in the financial results. The regional power shortage, presents challenges, opportunities and risks. In terms of opportunity it offers a window for Botswana to become a power exporter through investment in new generating capacity, in view of abundant coal reserves. However, timeliness is critical. The down side of the diminishing surplus generating capacity is that the price of electricity has, and continues to increase significantly. The greatest challenge in the short to medium term, will be to grow the economy against this backdrop of reducing electrical energy availability and increasing costs of supply.

In view of the huge capital investment required in developing new generation sources, the Corporation is committed to operating in partnership with Independent Power Producers and is ready to make full use of this window of opportunity. We are indebted to the Government for giving total support to the Corporation's efforts.

I also thank my fellow Board Members for their commitment and dedication. The period under review witnessed the transaction of an unprecedented volume of business and it was not uncommon for the Board to meet on weekends and late into the night to facilitate Corporation Business.

The beginning of this year saw the new Executive Team firmly entrenched as the leadership for

Chairman's Review contd.



the new strategic direction and roadmap for the Corporation. Tribute goes to Management and staff of the Corporation for their continued commitment during these trying times. I encourage all to remain focused as the Corporation positions itself to become a regionally competitive electrical utility enterprise.

Lastly but not all the least, we thank our customers for their support, patience and understanding during these difficult times. Our commitment to serving our customers to the best of our ability is total.

Ms E T Rakhudu
Chairman of the Board,
Botswana Power Corporation

NJ Raleru
Acting Chief Executive Officer

Chief Executive's Review

On behalf of the Botswana Power Corporation, it is my pleasure to present the operational review for the financial year ended 31st March 2008.

The beginning of this year under review marks the launch of the new Corporate strategy, business model, structure and road map for the future of the Botswana Power Corporation.

Faced with the challenges and changes arising from, primarily, :

- Governments Vision for the Nation and Stakeholder Strategic Agendas
- National Development Plans and the demands for development and support
- The Electricity Supply Industry Study (2002/2003) denoting changes in the business environment
- Government's drive to reposition parastatals as reflected in the White Paper on Privatisation
- Increasing financial challenges in the Corporation driven primarily by increasing costs of supplies, materials and operations, coupled with consumer tariff increases that are not cost-reflective
- Increasing customer demands and decreasing customer satisfaction
- Growing customer base and increasing sophistication of the application and use of power
- Technological developments in the industry, alternative sources of power generation, as well as increasing global environmental demands
- The changing modes of business and operations in this sector – globally, regionally and nationally
- Looming electricity supply constraints, and the requirements for energy conservation

the Corporation had commissioned a study with the objective of responding to these changes in the macro, business and consumer environments. For the Corporation to continue to fulfil its mandate to *"facilitate sustainable and diversified development of our country by rendering quality electrical energy services that are affordable, efficient, safe and environmentally prudent"*, the study confirmed that there was a definite need for the Corporation to remodel its structures and modes of doing business, to effectively :

- Become a more customer focused, services orientated organisation
- Improve service delivery to customers
- Become more efficient in all operations throughout the organization
- Improve operational performance and profitability
- Position the Corporation to operate in a competitive and deregulated environment

The Corporation has redefined it goals and embarked on a strategic journey to become "A leading competitive commercial electricity utility in the Region. Branded "Bokamoso", a programme has been developed with a strategic roadmap that encompasses all the projects, initiatives and interventions to travel the journey towards this defined strategic destination.

The first step along this journey was launched on 02 April, 2008. A new business model has been developed based on unbundling the previous vertically integrated organization, and implementing a model of strategic business units. Day I implemented the new structures in the Corporation so as to reflect the new business model as depicted below :

The business model has incorporated the implementation of a structure of Strategic Business Units (SBU) and Corporate Support Units (CSU).

The Value Chain includes the following :

1. The Generation SBU is the Corporation's business unit established to manage national internally generated electricity supplies. This power station/s can be measured competitively with other sources of supply.

2. The Transmission SBU has been implemented as the "single buyer model" to source and supply all electricity requirements for the Nation. This business unit transmits the power to other customer facing business units, and also directly to the mining sector.

3. The Customer Services and Supply SBU distributes electricity, and services consumers in all sectors in the economy.

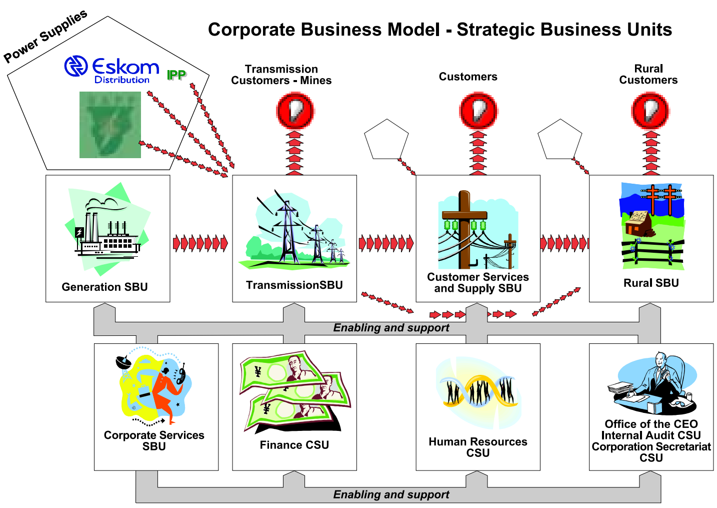
4. The Rural SBU, is established to give effect to the Government's national rural electrification programme.

Corporate Services SBU has been established to provide all the essential enabling services to the Corporation and to the Business Units, to facilitate the organization to meet its goals and objectives.

Corporate Support Units viz Corporate Finance, Corporate Human Resources and the Office of the CEO, have been established to support the operational units while concurrently focussing on the overall Corporation strategic priorities and performance.

Organisational transformations are a demanding and challenging journey to travel. The models implemented and the Bokamoso programme for these next years, are directed towards optimally responding to stakeholder needs and to fulfilling the Corporation's mandate to facilitate sustainable and diversified development of our country towards the Vision 2016 and beyond.

This Annual Report for the financial year ended 31st March 2008 is structured to reflect the operations in the new business model.



Generation Strategic Business Unit

Mr AUK Joseph
Generation Director

The Generation Business Unit is mandated to generate power cost effectively, efficiently and reliably in a safe and environmentally prudent manner. In addition, this SBU is tasked to explore ways of increasing power generation with the objectives to lower the total cost of supply and increase the proportion of locally generated electricity. The Business unit employs over P1 Billion in assets with a manpower complement of 330 employees. The business unit is directed to deploy generation resources optimally to produce electricity, and to explore ways of increasing power generation in order to provide a lower total cost of supply, increase the proportion of locally produced energy supplied, and increase the overall security of supply to the power system.

During the year under review, the Morupule Power Station continued to operate as a base load station. A total of 694.052 GWh was generated against a forecast generation of 977.326GWh, while 609.679 GWh was sent out into the National Grid System. The total generation represents a decrease of 15.5% over last year's generation.

The shortfall in production of 28.9% against forecast generation was mainly due to the forced outages and unit trips experienced during the year under review. The number of unplanned unit trips increased from 68 (2006/07) to 72, due mainly to repairs and maintenance requirements. Each unit was impacted by outages at some time of the year under review. The Power plant is well extended into its design life, and a Plant Residual Life assessment has been initiated to study the remaining life on key plant areas and to develop a rehabilitation plan. The Control and Instrumentation upgrade was successfully completed on two of the units and further upgrade on the remaining two units is planned for the year 2008-2009. Operator skills on the new system were upgraded through learning interventions which have since shown significant improvement in operator's capabilities.

Environmental Management

During the year under review operations generated about 84 390.18 tonnes of ash. Uptake of the ash by the local cement manufacturing industry increased from 45 770,95 tonnes to 54 991.98 tonnes. The benefit of increased uptake by CemPac has been the reduction in water consumption for ash slurrying and has increased revenues from actual sales. The coal combustion process generated approximately 756,58 Giga grams of carbon dioxide during the year (down from 1 139 Giga grams in the previous year).

Moruple Power Station continues to draw raw water for its operations from the boreholes located in the Paje Wellfield. Water abstraction meters reflect that 499,271 m^3 was drawn from the wellfield which represents 76% of the Water Apportionment Board (WAB) limit. Drawdowns across the Wellfield vary from borehole to borehole but generally the Water Surveys Report reflects that declining water levels has been found to be in the order of 10m since pumping began in the 1980's. Monitoring of underground water pollution and management of water resources remain key focus areas.

Transmission Strategic Business Unit

Mr E Rugoyi
Transmission Director

Electricity Supply and Demand

The Transmission Strategic Business Unit is mandated to source and supply electricity to meet the country's demands. The Transmission Business Unit's main focus for the year under review has been on the security of supply, following the expiration of the Eskom Firm Supply Agreement for 410 MW on 31st December, 2007.

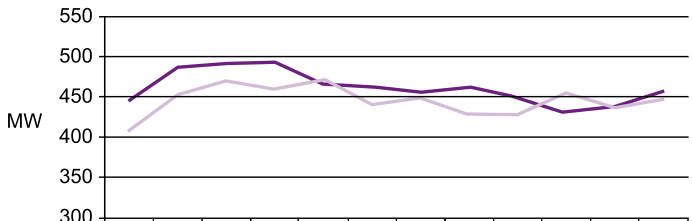
The main challenge for the Business Unit has been to secure adequate electricity supply for Botswana's economy over the period 2008 – 2012 during which period the region is forecasted to experience a supply deficit resulting from the inadequate and delayed past investment in new generation capacity. Power Purchase Agreements have been successfully negotiated for a new five year supply agreement with Eskom of South Africa, albeit on a step down basis. Secured supply agreements with Hydro Electrica de Cahora Bassa (HCB) of Mozambique and Electricidade de Mocambique (EDM) of Mozambique were also concluded.

A comparative "system maximum demand" for the current year and previous year is reflected in the Chart 1 below, while Chart 2 reflects the sources of supply during 2008.

Capacity and Energy Delivered

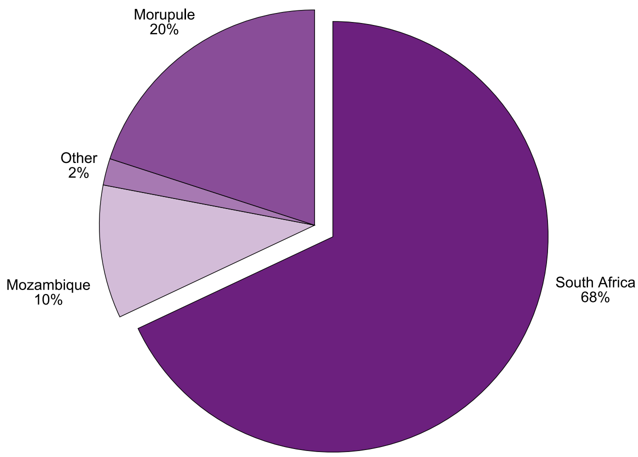
The total electrical energy sent out in 2008 was 3 105 GWh, representing a 1.3% increase over 2007. Imports from South Africa (in the main) and other Southern African Power Pool (SAPP) members constituted 80% of the energy sent out, with the balance of 20% being sourced from Morupule Power Station. The total energy delivered at bulk supply points was 2 999 GWh with the transmission technical losses at 3.4% of total energy sent out.

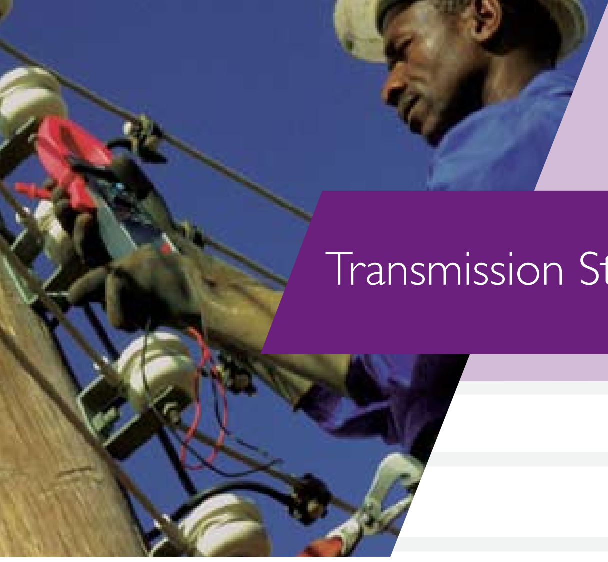
Chart 1: Monthly System Maximum Demand Comparison 2007:2008



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
FY: 2007	409	452	470	463	473	442	449	428	430	455	439	447
FY: 2008	448	488	493	493	467	462	456	463	450	431	437	457

Chart 2: Sources of Supply Market Share 2008





Transmission Strategic Business Unit contd.

The highest recorded demand during the year under review peaked at 493 MW representing a 4.2% increase over the previous high of 473 MW.

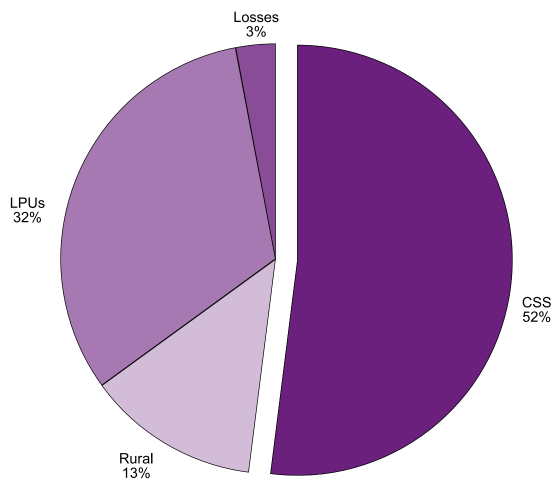
Inadequate supply on account of limited and constrained sources of supply resulted in supply curtailment (load shedding) during the last quarter of the year under review. The total un-served energy due to supply curtailment was 4.278 GWh.

Demand Side Management interventions were developed to assist in managing the precarious demand supply balance.

Electricity Sales to Transmission Customers

The single buyer model under the new business model requires that the Transmission business unit procures supplies from the Generation business unit and the Southern African Power Pool (SAPP) for onward sale to Large Power Users (LPUs – mainly mines) and the customer serving entities viz Customer Services and Supply (CSS) and the Rural Business Units. Sales to the three categories of Transmission customers in the year are shown in Chart 3 below:

Chart 3: Sales to Transmission Customers for 2008



Transmission Infrastructure Development

A comprehensive transmission system development plan was developed to guide transmission investments over the next 10 years. The total capital outlay required to implement the 10-Year Transmission Development Plan is estimated at over Pula 2 billion. Implementation of selected projects is in progress with a budget of Pula 422 million already committed to work in progress and new projects. A transmission Project Information Memorandum (PIM) was developed to raise funding of up to Pula 1.5 billion required for transmission projects associated with evacuation of power from the new generation power plants.

Significant grid extensions on account of new large power users from the mining sector are in progress including three customer financed projects worth P565 million.

Southern African Power Pool (SAPP) – Regional Co-Operation

During the year under review, the Corporation actively participated in the development of the Southern Africa Power Pool (SAPP).

The main focus for the SAPP has remained the management of the regional supply deficit, which materialized in Year 2007. A pool plan was developed to guide new generation investments in the region, but investment has been slow and bankable projects have remained a challenge. Partnerships with other utilities to develop transmission infrastructure required to access supply in the region, continue to reinforce networks and enhance security of supply to Botswana.

Other power pool activities supported by the Corporation have included development of an Ancillary Services Market, Review of the current Transmission Pricing Mechanism, the establishment of a Day Ahead Market (DAM) to supersede the Short Term Energy Market (STEM) established in 2001, a Regional Electricity Tariff Study, and the Revision of SAPP Founding Documents.

Customer Services And Supply Strategic Business Unit

Mr G Mmola
Acting Customer Services and Supply Director

The Customer Services and Supply Strategic Business Unit purchases bulk electricity supply from the Transmission Business Unit and through localized cross border connections from neighbouring countries, and distributes and sells electricity to customers. It operates and maintains the distribution network assets and provides products and services in such a way as to ensure customer satisfaction.

Customer Services:

The Corporation implemented the new business model of Business Units in place of departments with the main objective of being more customer centric. Customer Services and Supply Business Unit was established with the intention of bringing all customer facing departments under one roof, which is a step towards establishing a one stop centre for customers. Customers are now able to get most of the services by walking into any of the Corporation's service centres.

Networks and Supply

During this financial year, the Corporation invested P7.3 million in urban areas and P10 million in rural areas towards the installation of new distribution network capacity and the reinforcement of existing networks. These reinforcements were mostly to improve the quality of supply in various areas in the country. The capital spent on the distribution network is projected to increase in the next two to three years as the transmission projects are commissioned.

The Corporation, in its pursuit of contributing to the skills and economic empowerment of its citizens, has progressed well with its programme of outsourcing most of its distribution network developmental work to citizen contractors and consultants. From a total of six consultants, five of them are citizen owned. During this financial year the Corporation pre-qualified an additional eleven citizen owned contractors for its distribution work,. This brought to twenty three the number of pre-qualified contractors, eighteen of whom are citizen owned.

The volatility of commodity prices continued from the last review period. During the period, the increase in commodity prices was exacerbated by rising fuel prices. These commodity prices had a profound negative impact on the efforts of the Corporation to achieve low electricity connection costs. The Electricity Supply Industry has experienced a big demand for its products and services. This has not only led to the increase in costs of projects, but longer delivery times and shortages. To mitigate against these increased costs and longer project delivery, the Corporation has increased the number of contractors and it is reviewing its procurement processes.

New Connections

The number of new connections in the period under review totalled 14 474, this figure is below the target of 19 998 by 5 524. The 8.7 % growth in connections is 3% below the target of 12%. The period under review has seen a slight drop of 2.4% when compared to the previous year. The Central District continues to have more new connections with 32% of new connections coming from the district in the period under review as compared to 35% during the previous period.

Customer Services And Supply Strategic Business Unit contd.

Figure 1: New Customer Connections by district

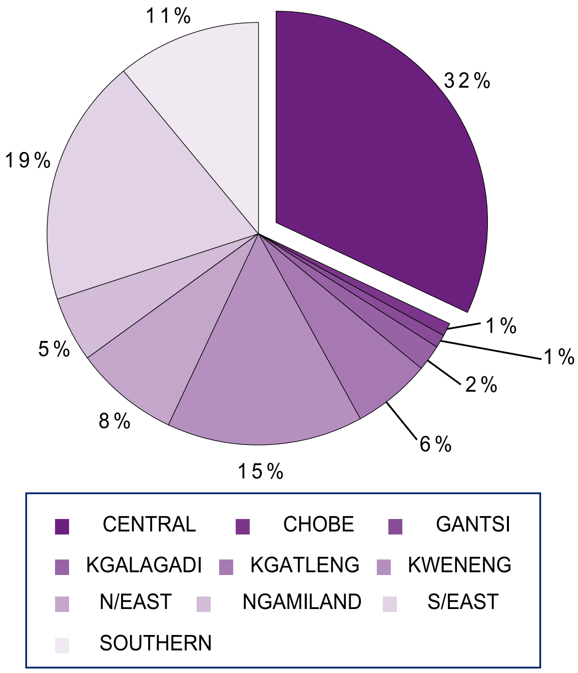
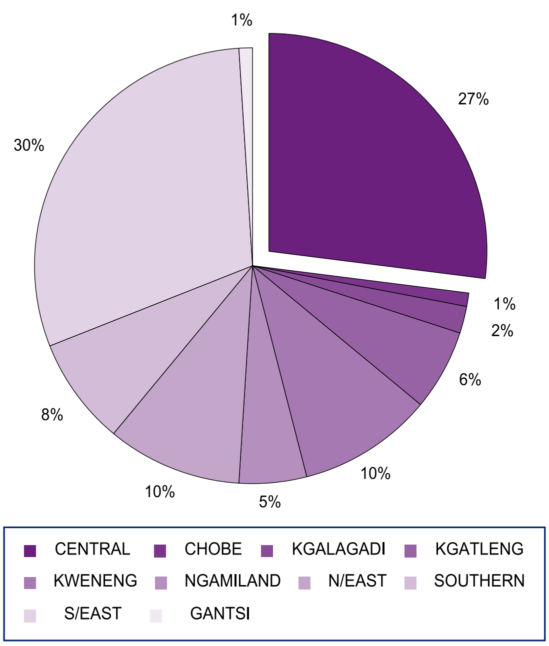


Figure 2: Distribution of Total Customer connections by district



The domestic demand accounts for 95% of new connections.

The total customer base has increased to 181,125 representing an 8.7% growth on the 166,651 at the beginning of the financial year. Figure 2 below represents the distribution of the total connections among the Districts. The majority of the connections are in the South East (30%) followed by the Central District (27%), and the North East and Kweneng Districts at 10% each. These four districts account for 77.0% of the total connections in the country.

Rural Strategic Business Unit

Mr A Motsepe
Rural Director

Provision of electricity to rural areas is part of Government's initiative to promote rural development to alleviate poverty and improve the quality of life in those communities.

Access to grid based electricity in rural areas is targeted to increase to 50% by the end of NDP 9 (March 2009), and 70% by the end of NDP 10. This will set the total target by the end of NDP 10 to 85% with the inclusion of off-grid electrification.

The Botswana Government's National Development Plan 9 targeted the electrification of 105 villages between 2003/04 and 2008/09. This electrification plan is being addressed by implementing two major electrification projects.

The 100 villages' electrification is a project with a budget of US Dollar 89 million that is funded through a loan from two Scandinavian banks. A ground breaking ceremony held at Gakuto village in September 2007 marked the beginning of the 36 month construction contract for this project. The villages were grouped equally over 3 consecutive years. During the year under review 30% of the villages have been completed, with the balance being scheduled for the period to September 2010.

In the second project, Government funded the electrification of 30 villages to an amount of P115 million.

In addition to the electrification of the villages, Government is also financing network extensions on existing infrastructure in 20 already electrified villages to an amount of P75 million. All projects are in progress but have been severely delayed by materials shortages.

The Corporation (through the Rural Business Unit) has been appointed as the implementing agent on behalf of Government for the provision of cost effective electricity through Photovoltaic (PV) systems, to rural populace that is unable to connect to grid. The RE Botswana project funded by Government and the Global Environmental Facility (GEF) is expected to be rolled out in October 2008. The project's products and services include Solar Electric Systems, rechargeable lanterns, recharging stations for lanterns and batteries, efficient cooking appliances, mini grids, solar water heaters, as well as the installation and maintenance of photo-voltaic facilities for Government institutions and large enterprises in rural areas.

Rural Collective Scheme

Government have supported a Rural Collective Scheme (RCS) which is administered by the Corporation, providing ease of access to electricity. In terms of the RCS, Government advances 95% of the costs of connection through deferred repayments over a period of up to 15 years whilst customers pay 5% deposit to be connected.

The total number of Rural Collective Schemes increased to 1591 in March 2008 (from 1572 March 2007), reflecting nineteen (19) new Schemes. The Corporation connected 15,983 new customers during the year under review. As at April 2008 the access to electricity rate has increased to 40,75% from 38.2% in March 2007. (measured as a percentage of connections in relation to the total households in rural areas, as per the 2001 Population and Housing Census).

Figure 1 below reflects the percentage of customers connected per district as at the end of

Rural Strategic Business Unit contd.

Figure 1: Electricity access (rural customers) distribution within districts as at March 2008

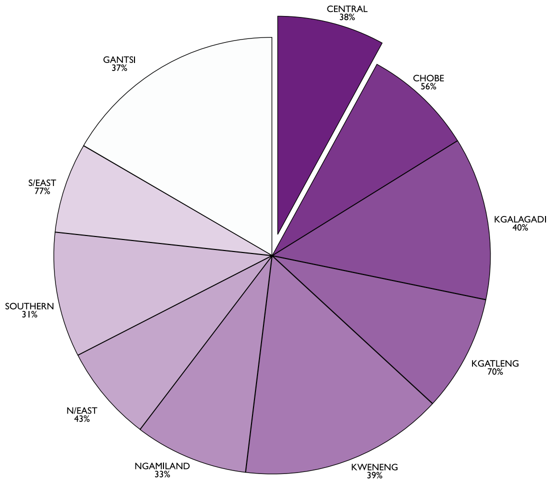
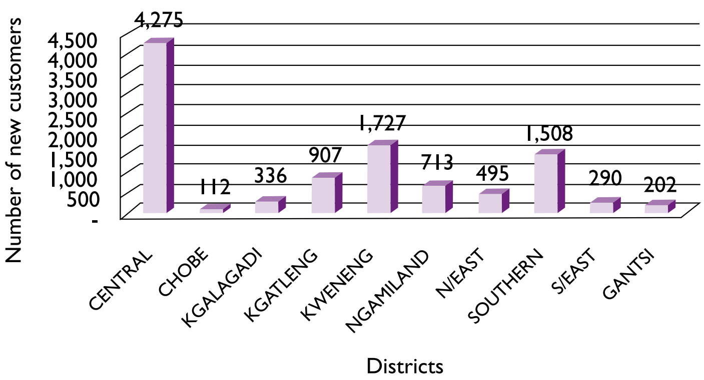


Figure 2: Distribution of new connections (rural customers) among Districts between April 2007 and March 2008



the year under review:

New connections per district for the period being reviewed are as indicated in Figure 2. The Central district has the highest connections at 40% of total, whilst the lowest are in Chobe and Gantsi districts with 2% of total. The Central District appears dominant. It is the largest in area and has the highest population with the most number of villages, many of which have not been electrified. These connections account for 63.87% of the total new connections by the Corporation between April 2007 and March 2008, the balance of the connections (i.e. 36.13%) being urban customers.

Material price increases, shortages and unreliable deliveries of network construction materials, such as cables and poles, pose challenges to the uptake and delivery of connections in the rural areas.

Corporate Services Strategic Business Unit

Mr JH Helmand
Corporate Services Director

Corporate Services Strategic Business Unit has been established to provide all the essential enabling services to the Corporation and to the Business Units.The unit is mandated to provide centralized and shared services on a commercial market competitive basis.

This business unit emerged from conscious business model design decision to group all enabling services into a shared services centre, and incorporates, amongst others, :

- Corporate Long-term and medium-term Planning
- Marketing, Communications and Public Relations
- Properties Management
- Office and administration Services
- Fleet Management
- Security Services
- Corporate Risk Management and insurances
- SHE – Safety Health and Environmental Services
- Information Communications, Technologies and Systems

This unit is challenged with a lead role in commercializing the business environment. A number of strategic priorities and transformation objectives have been identified in the strategic roadmap. These include eg.

- The implementation of new customer and stakeholder communications strategies
- The implementation of the new commercial business models for all services lines and establishing the framework for service level agreements.
- The implementation of Corporate Long-term planning and tariff models
- The implementation of new integrated business enabling Information Systems, Communications and Technologies solutions
- Business process re-engineering
- Optimising resources and improving operating efficiencies

Marketing and Communications

The looming power shortage forecasted for the region materialized during 2007 and impacted Botswana in the latter quarters of the year under review. Load shedding had to be implemented to assist in managing the precarious supply demand balance.The Corporation responded to the challenge with a number of initiatives on the supply and the demand side. The Board approved a Corporate Power Management Programme which incorporated the following initiatives:

- The realignment and securing of Power Purchase Agreements with members of SAPP to improve security of supply
- The implementation of Demand Side Management programmes (DMS) focused on demand reduction and demand load shifting to off peak demand periods
- The launch of the National Electricity Efficiency Campaign to modify consumer behaviours and to promote energy conservation.

Corporate Services Strategic Business Unit contd.

Extensive public education and awareness programmes were initiated. Communications included expansive media coverage as well as direct engagements with stakeholders, institutions, schools, kgotla, business associations and focus groups. The full spectrum of media vehicles were utilized. The program is planned for continuance until approximately 2012 when it is anticipated that the supply demand balance will be normalized. Energy conservation programmes will continue to be driven.

Public Relations and Social Responsibility

The Corporation continued to actively participate in various events in its continued commitment to social development in the country. Deserving organizations, especially charities such as the Botswana Red Cross, Masiela Trust Fund, Sponsor-a-Child Foundation, SOS, Centres for the Deaf, etc were sponsored during the year under review. The University of Botswana was again partly sponsored during its International Association of Science and Technology for Development (IASTED) conference which attracted engineers from various parts of the world to Botswana. The Corporation sponsored the traditional games as part of the Independence anniversary celebrations and also hosted the Inter-power utility games which encourages regional inter-utility cooperation and collaboration.

The Corporation continued to demonstrate its social responsibility by active participation in the nationwide road safety campaigns which involved manning various Road Check Points countrywide as well as participation in the Joint National Road Safety Awareness campaigns.

The Corporation's Theatre Intervention Group also continued to educate members of the public and our customers through drama throughout the Country. During this review period the Theatre Intervention Group performed at the Jwaneng Youth Festival, Tobane Community Junior Secondary School, Maun Customer Service Center's Wellness Day, and World Aids Days in Gaborone and Francistown.

During the year, the Corporation attended the BOCCIM Northern Trade Fair held in Francistown in May 2007 and the National Consumer Fair in September 2007. The Corporation secured Second prizes for both the corporate stall and the exhibition stalls.

The Corporation was awarded a Certificate of Appreciation for showcasing Alignment of Strategic Objectives to the Nations Vision 2016 Pillars.

The Corporation participated in the PricewaterhouseCoopers Annual Report competition for the best published accounts, and secured second prize in the parastatals category.

Safety, Health and Environmental Management (SHE)

The Corporation continued to maintain a favourable Disabling Injury Frequency Rate (DIFR) at 0,35. The DIFR must be maintained below one, to achieve the Safety, Health, Environment and Risk 5 Stars Safety Rating. A total of 16 incidents were recorded of which 9 accounted for some lost time. There was one fatality during the period under review.

A focused effort was directed at resuscitating the Corporations SHE programmes and structures. SHE competitions for the Customer Service Centres in the Southern region were held during the January 2008 and average results achieved for each site were representative of a 3 star audit rating. SHE representatives training was carried out by NOSA for 32 employees at Morupule Power station. Fire emergency exit drills were carried out as per schedule. Occupational hygiene risk assessments/ surveys covering; ergonomics, ventilation, noise, lighting intensity were carried out during this review period at all the BPC's Customer Services Centres.

Following the national Polychlorinated Biphenyl (PCB) Inventory Report emanating from a study conducted in 2006, the Botswana National Implementation Plan has since been developed to conform to Environmental

Corporate Services Strategic Business Unit contd.

Multilateral Agreements. The Corporation continues to network and benchmark on Environmental Management Systems (EMS) best practices by its active participation in the Environmental Sub-Committee within the Southern African Power Pool. Through its participation in these regional committees, the Environmental sub-committee has already developed PCBs Guidelines for all Electrical Utilities in the Region. An Environmental Committee has been established at Morupule Power Station during the year whose purpose is to address environmentally related matters within its area of responsibility.

Vandalism and Meter Fraud

Vandalism of Corporation network is one of the causes of financial losses to the Corporation.

The Corporation's infrastructure continues to be subjected to vandalism and security services remain vigilant. Fraud and theft of electricity continued during the year leading to revenue losses. The Revenue Protection Programme which was established to curb these revenue losses continues to yield some satisfactory results for the Corporation.

A total of 244 incidents have been reported as follows: Vandalsim 168, Meter Fraud 22, Illegal connections 20, Illegal supplies 25, 3rd Party damage 9. To mitigate against these risks, the Corporation has initiated a number of measures eg. physical guarding, electric fencing, and collaboration with key stakeholders such as Botswana Railways, Botswana Telecommunications Corporation and law enforcement agencies, to assist in curbing vandalism. To this effect a number of vandalism committees have been established in areas such as Serowe, Francistown and Gaborone. Collaboration with other power utilities within the Southern African Region has been forged through establishment of the Theft Prevention Working Group within the ambit of the Southern African Power Pool. This working Group comprise of Security specialists from all the Electrical Utilities within SADC and its mandate amongst others is to develop intervention measures to reduce non-technical losses.

Corporate Human Resources

Ms S Ratshosa
General Manager Corporate Human Resources

The implementation of the new business model for the Corporation has initiated a program of realignment of all Human Resources Policies and processes. The Corporation has identified the loss of key skills as a high risk and remuneration policies, employee retention and development of skills and competencies remain key focus areas for interventions.

During the year under review, the Corporation's manpower complement declined by 3,5% from 2015 in the previous year to 1944. Seven expatriates were employed which constitutes 0.36% of the total staff complement. 56 employees were recruited during the period under review while 89 contracts of employment were terminated for various reasons.

As a way of improving employees' welfare after retirement, the Corporation has initiated negotiations with employees to convert from the current Non-contributory to a Contributory Pension Scheme.

Human Resource Development

In line with the National Vision pillar of having an informed and educated nation, development of human resources remains a key undertaking for the Corporation.

Two employees completed their Bachelor of Engineering (B.Eng) at the University of Botswana. One employee is pursuing a Bachelor of Human Resources (Industrial Relations) at Wisconsin University.

A peer education programme was launched during the period under review. Seventy two (72) Peer Educators drawn from different service stations were trained on management of psychosocial problems at the workplace. The mandate is to disseminate, teach, encourage and educate their colleagues in their areas of work.

Twenty employees were trained in the Training of Trainers on the Management of Personal Finances. The Corporation's Wellness program is broad based and focuses not only physical health, but also includes financial, emotional, and social subjects.

Employee Health and Wellness / HIV AIDS Programme

The Corporation's commitment to attaining a healthy and a compassionate and informed nation, is evidenced by programmes such as the Special Benefit Fund, Education for Prevention, counselling and an Ill Health and Retirement Policy for employees incapacitated by diseases.

Through the Special Benefit Fund (SBF) employees are linked to Botswana Medical Aid (BOMaid) to access ARV therapy. Since its inception in 2002 the death rate in the Corporation has dropped by more than half. Enrollment in the SBF continues to grow : During the period under review 452 employees were enrolled compared to 409 (March 2007) and 358 (March 2006). On the basis of the Corporation's HIV prevalence survey, enrolment into the SBF is estimated at 75,3 %.

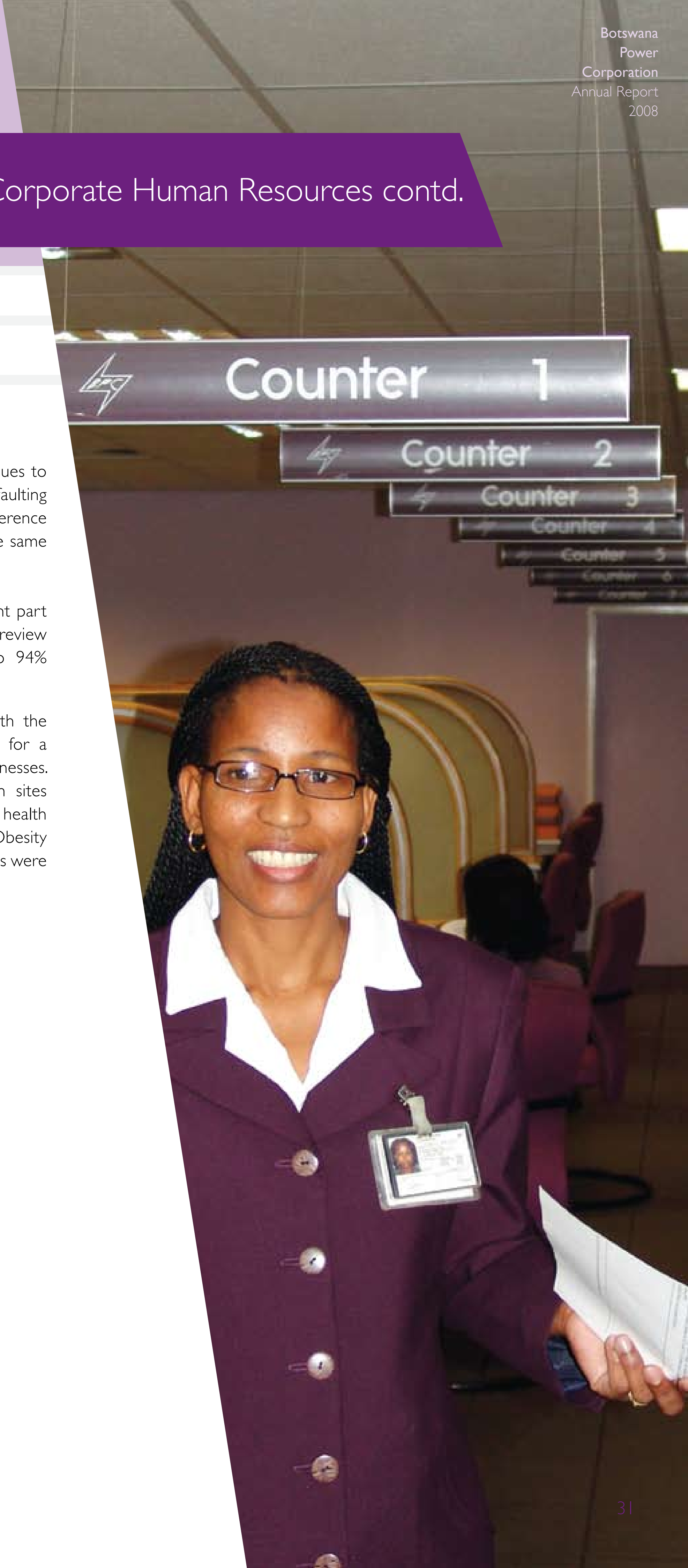
Out of the total enrolled, 200 beneficiaries are on treatment.The Corporation noted with concerns a trend that beneficiaries stop treatment for various reasons. BOMaid has intensified counselling of

Corporate Human Resources contd.

non-compliers, and the Corporation continues to educate employees on the dangers of defaulting on ARV treatment. This has improved adherence to ARV to 91.4% compared to 86% for the same period in 2007.

Medical Aid continues to form an important part of employee health support. During the review period employee enrolment increased to 94% from 92% of the previous year.

Wellness Fairs are conducted annually with the objective of providing a "one-stop shop" for a health check on all chronic and other illnesses. Fairs were conducted across all Corporation sites and employees were screened for various health problems such as Hypertension, Diabetes, Obesity and others. Those who had abnormal findings were referred for further medical intervention.



Strategic Projects

The new business model identified the need to establish a focus centre for strategic electricity projects. This unit has been primarily concerned during this past year with actively pursing the execution of the Phase I expansion of the Morupule "B" Power Station Project. This is designed to be a dry-cooled, coal fired power plant comprising of 4 units rated in total at 600MW output. A second phase of an additional 600 MW is envisaged. The is a multi-Billion Pula project investment and is being procured on an Engineering Procurement Construction/turnkey basis whereby the complete project implementation will be executed by a selected supplier. The tender for the construction of the Morupule B Power Station closed on 14th December 2007 and the evaluation process has been progressed. Anticipated commissioning is targeted for 2011/2012.

In addition, other strategic projects involving active participation by the Corporation have included :

- The Westcor Project (Western Corridor) designed to exploit the hydro electricity generating capacity from Inga in the Democratic Republic of Congo and transmit the power to the south.
- The Mmamabula Power Station in Botswana
- The feasibility of Solar and Gas powered power generation plants in Botswana
- The reinforcement and development of regional transmission networks to increase access to power supplies

Conclusion

This year has been extremely intense and challenging. The Corporation ramped up its efforts and investments in its plans and efforts to implement the new business model and structures. Improved customer service and operational efficiencies were positioned high on the Agenda.

The challenges during the year were exacerbated by the continuing decline in the financial performance of the organisation as well as the materialization of the power supply deficits, which increased pressures on an already extended capacity.

The Corporation continued to support and affirm its contribution towards the realization of the National Vision and the National Development Plans. The Corporation's Strategic Agenda and plans are aligned with the Nation's Vision so as to positively contribute towards the achievement of a sustainable and diversified economy.

The Corporation and all its efforts remain committed to serve.

NJ Raleru
Acting Chief Executive Officer
Botswana Power Corporation

Corporate Governance

Mr N N Balule
Corporation Secretary

During the review period, the Board and its Committees continued with the efforts and plans in the execution of several corporate strategic projects. The implementation of the Morupule 'B' Power Station Project has proven to be a major focus during the review period, while the Bokamoso Strategic Business Model restructuring projects continued to require guidance and direction.

BOARD MEMBERS

1. The Minister of Minerals Energy and Water Resources (MEWR) is empowered under section 4 of the Botswana Power Corporation Act [CAP: 74:01], Laws of Botswana to constitute the Corporation's Board of Directors. The Board may not have more than nine (9) or less than six Members, including the Chairman.

   The Corporation is required by the Act to hold at least four (4) meetings per financial year and such meetings should be held at an interval of not more than three (3) months. The Board complied with this statutory requirement and it held 'the quarterly or ordinary meetings', under the review period on the following dates:

   11th May 2007

   10h August 2007

   9th November 2007 and

   7th March 2008

2. The meeting of the 7th March 2008 was primarily to consider and approve financial budgets for the following new financial year.

3. During the period under review, the Board operated without representation of the Ministry of Finance and Development Planning, which ministry has traditionally been represented in the Corporation's Board. In the first quarter of the review period, Mr. S. Kapondorah resigned from the Board. The Corporation's Board for the remainder of the review period was as follows:

   3.1 Ms. E.T. Rakhudu, the Board Chairman;

   3.2 Mr. M.S. Koontse, the Vice-Chairman (re-elected);

   3.3 Ms. B. Morewagae, representing the Director of Industrial Affairs;

   3.4 Mr. G. Ndlovu, representing Bamangwato Concession Limited (BCL);

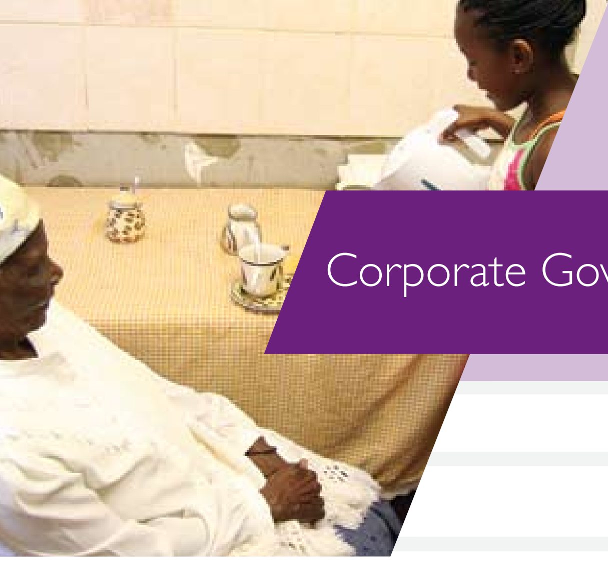
   3.5 Ms. A. Kgosidintsi;

   3.6 Mrs. P. Kanedi;

   3.7 Mr. F.O. Motlhatlhedi.

   The Board had two (2) vacancies created by non appointment the representative of Ministry of Finance and Development Planning and the resignation of Mr. S. Kapondorah. The two (2) vacancies proved to be onerous by requiring increased levels of commitments by serving Members to compensate for the vacancies.

4. In addition to the Ordinary or Quarterly meetings, the Board held special Board meetings to consider urgent business on the following dates:



4.1 2nd June 2007

4.2 8th August 2007

4.3 18th December 2007

4.4 22nd February 2008

4.5 29th February 2008

4.6 31st March 2008

5. The Board constituted Committees under its Board Charter and as per Section 12 of the Act. The Committees met and transacted business during the period of review. The Committees met to carry out business on the following dates:

5.1 Board Tender Committee

5.1.1 3rd April 2007
5.1.2 17th April 2007
5.1.3 13th May 2007
5.1.4 12th June 2007
5.1.5 27th June 2007
5.1.6 10th July 2007
5.1.7 16th August 2007
5.1.8 14th September 2007
5.1.9 28th September 2007
5.1.10 19th October 2007
5.1.11 13th November 2007
5.1.12 11th December 2007
5.1.13 18th January 2008
5.1.14 1st February 2008
5.1.15 11th February 2008
5.1.16 26th February 2008
5.1.17 18th March 2008

5.2 Board Finance Committee

5.2.1 20th September 2007
5.2.2 31st October 2007
5.2.3 15th November 2007
5.2.4 19th March 2008

5.3 Board Audit Committee

5.3.1 8th May 2007
5.3.2 30th July 2007
5.3.3 15th November 2007
5.3.4 29th November 2007

5.4 Ad Hoc Board Committee – Morupule 'B' Power Station

5.4.1 12th November 2007

Due to the delivery of the Bokamoso Restructuring Project, which witnessed the implementation of the Corporation's Strategic Business Units Business Model on the 1st April 2007, the Ad Hoc Board Committee (Strategic Business Units) was accordingly dissolved.

BOARD COMMITTEES

The following standing Committees continued to operate during the period of review.

Board Audit Committee

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

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

The Board Audit Committee was chaired by Mrs. P Kanedi and other Members of the Committee were: Ms. A. Kgosidintsi, Mr. G. Ndlovu, and the

Corporate Governance contd.

representative of the Ministry of Finance and Development Planning (the latter remained vacant through the financial year). The Committee must convene meetings at least three (3) times annually, with the Chief Executive Officer, Chief Financial Officer, Internal Audit Manager and the Corporation's External Auditors in attendance. The Internal and External Auditors have unrestricted access to the Chairman of the Board and Chairman of the Committee on any matter they may wish to raise. This flexibility is to ensure compliance with corporate governance standards.

Board Executive Committee

The Board Executive Committee's mandate is to consider all matters of policy and other matters with significant impact on the business of the Corporation (in the exception of those specifically identified as falling under the jurisdiction of another Committee). The Committee Members were: Ms. E. T. Rakhudu (Chairman), Mr. M. S. Koontse, Ms. A. Kgosidintsi, Mrs. P. Kanedi and Mr. F. O. Motlhatlhedi.

Board Tender Committee

The Committee had five (5) Members and its authority is to ensure and enforce the application of the Corporation's Tender Regulations and tender adjudication on procurement of goods and services with values of P500 000-00 and above. The Committee was chaired by Mr. M.S. Koontse with other Members as Ms. B. Morewagae, Representative of Ministry of Finance and Development Planning and Mr. F. O. Motlhatlhedi.

Board Finance Committee

The Committee had five (5) Members with its mandate as considering financial performance of investments, corporate budgets and other financial matters before adoption and approval by the Board. The Committee was chaired by Ms. A. Kgosidintsi with other Members as Ms. B. Morewagae, Mr. F. O. Motlhatlhedi, and the representative of Ministry of Finance and Development Planning.

Due to the importance and magnitude of the Morupule 'B' Power Station Project, the Board constituted an Ad Hoc Committee which would be dissolved upon completion and delivery of the Project.

The Generation Expansion Project Ad Hoc Committee's (Morupule 'B' Power Station) mandate was to monitor project execution and advise the Board on strategic and policy issues. The Membership of the Committee was as follows:

i) Mr. M.S. Koontse (Chairman)
ii) Mr. F.O. Motlhatlhedi
iii) Mr. G. Ndlovu
iv) Representative of the Ministry of Finance and Development Planning

BOARD MEMBERS FEES AND REMUNERATION

The Corporation paid Members a sitting allowance for every meeting attended. In addition to Board meetings, Members were also paid sitting allowances for other various business fora attended to. The sitting allowance rates are set by the Government of Botswana and the rates for the period under review were as follows:

i) The Chairman (including Members Chairing Committees) – P1 050-00 per sitting,
ii) The Vice-Chairman and Members – P840-00 per sitting

Members were also reimbursed costs such as accommodation, meal and travelling expenses incurred whilst the Members were in pursuance of the Corporation's business. The Members who used their motor vehicles to attend Corporation's business were paid for the mileage at rates set by the Government.

Ms R Mgadla
Chief Financial Officer

Financial Review

Revenue growth and profitability

For the year ended 31st March 2008 the Corporation recorded a net profit of P111.1 million reflecting a 9.7% increase on the previous year figure of P101. 3million. The operating loss however deteriorated by 35% mainly due to escalating input costs which went up by 18.7% against 17.4% of the total operating income.

The main drivers on the input cost include among others the following:

1. The increasing cost of imported electricity, particularly from Eskom RSA which supplies up to 80% of the import requirement.

2. Escalating maintenance costs, which are by and large as a result of a steep increase in the cost of spares and equipment, which track the metal (copper, aluminium and steel) world market prices.

3. The cost of coal for power generation at Morupule Power Station, which continues to increase significantly each year based on the tolling indexation agreement.

4. Inflationary pressure in both fuel prices and labour cost which are also driven by the market, continued to be a major contributing factor on administrative cost

The operating results reflected electricity sales revenue increase of 15.1 percent to P916.7 million against P796.7 million for the previous year. The gross revenue, which includes interest earned on consumer loans, increased by 14.5 percent to P938.6 million from P819.7 million in 2007. Interest received on consumer loans decreased to P20.1 million in the current year from P21.2 million. The total outcome led to the Corporation registering a net operating loss of P85.8 million compared to a loss of P63.4 million in 2007.

The electricity units sold increased by 4.0 percent to 2,888.8 GWh from 2,776.9 GWh in 2007), however, the mining sector consumption decreased by 1.1 percent while the non-mining sector consumption increased by 7.9 percent. The mining sector continues to be the Corporation's major consumer, contributing 41.1 percent of the total units sold. From this sector, BCL accounts for 15 percent, Orapa Mine 11.2 percent, Jwaneng Mine 7.9 percent, Tati Nickel 5.0 percent and Mupani Gold 1.4 percent of the total sales.

For the sources of supply, Morupule Power Station generated 630,542 MWh, compared to 726,069MWh in 2007, whereas 2,585,258 MWh was sourced through imports against 2,382,128MWh for 2007. Units generated during the year was therefore 95,527 MWh lower than the previous year, which was mainly due to maintenance outages at the power station. This has contributed to the imported energy being 89.49 percent of total units sold compared to 86.2 percent in the previous year.

The total cost after depreciation per unit generated was 37.72 thebe compared to 19.68 thebe for the same period in the previous year representing an increase in cost of generation by 91.67%. Other than general inflation, the increase was also as a result of administration overheads from service line and centralized services which were previously not included in the Power Station total costs. The Corporation's accounting structure has since been aligned to the new business model which reports business units accounts as revenue and cost centers.

The average cost per unit of imported energy for the year was 14.92 thebe compared to 12.0 thebe in the previous year which represents a 24.33 percent increase in cost per unit.

The figure above represents the cost structure of the Corporation, which includes all operating expenses and finance costs. The picture is very consistent to the previous years and reflects an overall increase of 18.5% from P885.2 to P1, 048.5 million for the year under review. Out of the total operating costs generation, transmission and distribution expenses accounted for 83.1% compared to 76.7% percent in the previous year. The major costs are Energy Imports, Staff costs and Depreciation making up 81% of the total costs on their own.

The year to date interest received on short term investments was P207.9 million with an average yield of 11.1% compared to the target of 10.9%. The Net profit of P111.1 million for the year, which represents 2.2% return on total equity and 76.3 percent earnings on irredeemable capital, was

Financial Review contd.

therefore wholly attributable to interest received on investments.

Financial position

During the year, the total assets increased by 16.3 percent to P6,592.5 million with property, plant and equipment increasing by 17.3 percent to P4,242.9 million from P3,616.4 million.

Consumer loans for capital connection costs, which comprise both the Hire Purchase Scheme financed by the Corporation and the Rural Collective Schemes financed by Government, have decreased by 5.6 percent to P87.2 million, net of impairment provisions.

Investments held to maturity, which are held to match foreign exchange exposure on offshore borrowings decreased by P6.9 million to P68.8 million as a result of repayments made on these loans during the year.

Current assets increased by 17.0 percent to P2, 148.8 million and current liabilities increased by 57.0% percent to P952.3 million resulting in a liquidity ratio of 2.99. The bulk of the current assets are made up of deposits and short-term investments totaling P1, 889.9 million which, increased by P347.5 million during the year.

Inventory decreased from P115.5 to P75.5 million as a result of the roll out of major village electrification projects during the year.

Trade and other receivables increased by 28.8 per cent to P154.5 million mainly due to general growth in business. The Corporation days-sales at year end stood at 38.1 days against the target of 44 days.

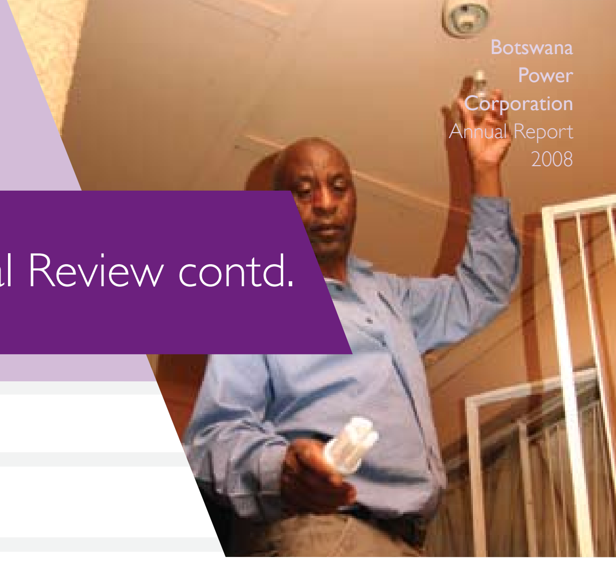
Total equity, which includes revaluation reserves, increased by 7.4 percent to P5,069.8 million from P4, 720.9 million in the previous year. The increase is due to revaluation of assets in terms of the revised IAS 16 which requires the review of the remaining useful life of assets on a yearly basis.

Non current liabilities increased by P230.8 million to P570.4 million during the year mainly due to growth in the Consumer Financed Projects as well as the increase in consumer deposits held.

The Corporation continued to maintain a healthy Gearing Ratio which was 0.03 for the year under review, alongside an Interest Cover recorded at 16.6. The return on revalued property, plant and equipment stood at -2.3 in the current year, resulting from the operating loss recorded as well as the growth in assets value for the year.

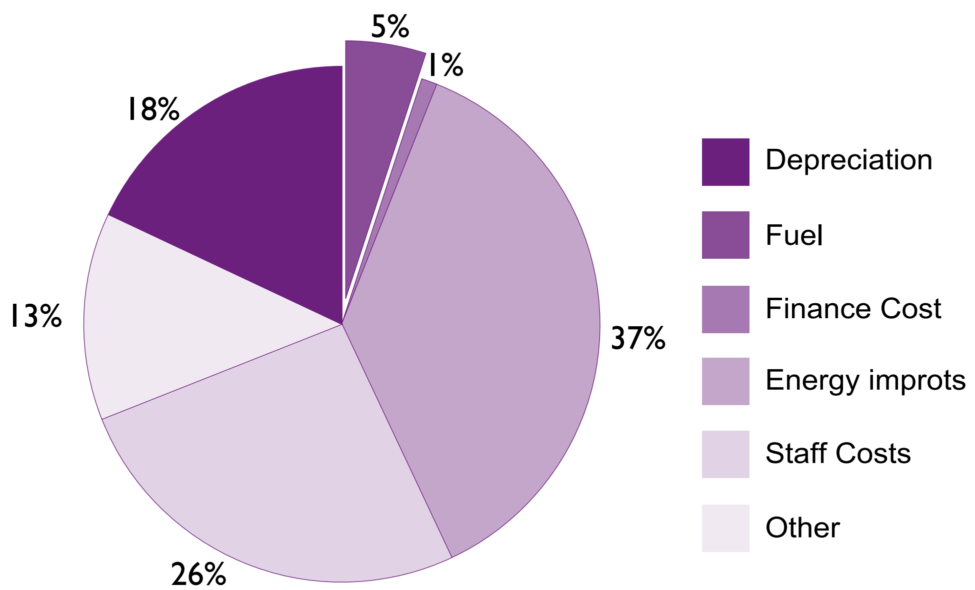
The Corporation maintained a healthy cash flow position, with the short term investments increasing by P347.5 million from P1, 542.4 million to P1, 889.9, while the cash and cash equivalent decreased by P21.1 million, from P26.6 million to P5.5 million, mainly due to the level of outflows at the end of the year.

The Dividend provided for the current year in respect of the Government equity interest in the Corporation is P27.8 million, being 25% of net profit.



Financial Review contd.

Cost Composition



Value Added Statements

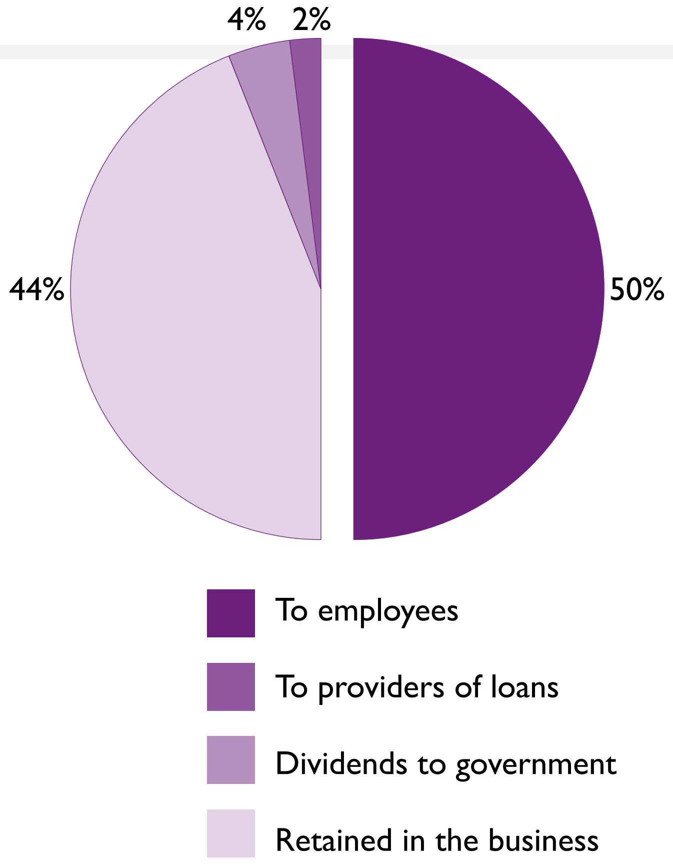
For the year ended 31 March 2008

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.

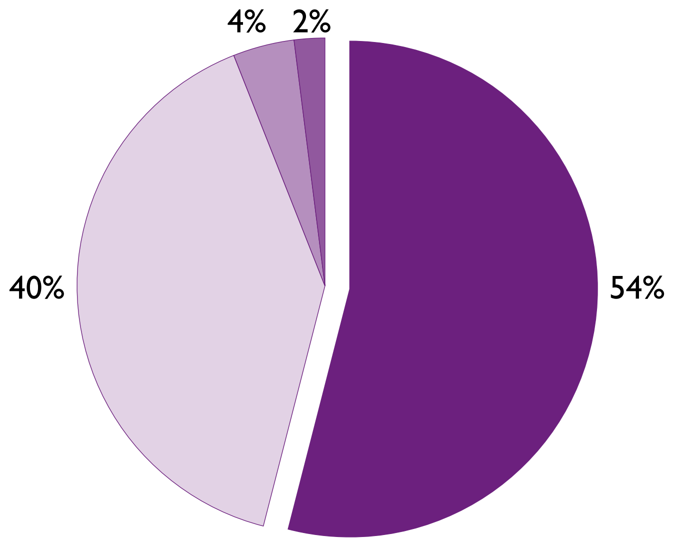
	2007 P'000	%	2006 P'000	%
Value created				
Revenue	938,555		819,680	
Less : Primary costs & services	(583,532)		(372,167)	
Value created from operations	355,023		447,513	
Add : Interest received & other income	234,059		179,404	
Total value created	589,082		626,917	100
Value distributed				
To employees	277,207	47.1	247,878	39.5
Finance costs on borrowings	11,023	1.9	12,627	2.0
Dividend payable to government	27,786	4.7	25,326	4.0
	316,016	53.6	285,831	45.6
Value retained				
Retained earnings	(124,576)	(21.1)	(11,228)	(1.8)
Capital replacement reserve	207,933	35.3	177,346	28.3
Depreciation	189,709	32.2	174,968	27.9
	273,066	46.4	341,086	54.4
	589,082	100	626,917	100
Head count	2,010		2,015	
Value created per employee	293		311	

Value Distributed

2008



2007



Annual Financial Statements

for the year ended 31 March 2008

CONTENTS

Statement of Board Members Responsibility

The Board members of Botswana Power Corporation are responsible for the annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Power Corporation Act (CAP 74:01).

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

The going concern basis has been adopted in preparing the annual financial statements. The members of The Board have no reason to believe that the corporation will not be a going concern in the foreseeable future based on forecasts and available cash resources.

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

The financial statements set out on pages 46 to 71 were authorised for issue by the Board on 15 August 2008 and are signed on its behalf by:

E.T. RAKHUDU
CHAIRMAN

N.J. RALERU
CHIEF EXECUTIVE OFFICER

Report of the Independent Auditors

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

Report on the Financial Statements
We have audited the accompanying financial statements of Botswana Power Corporation, set out on pages 46 to 71, which comprise the Corporation balance sheet as at 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Members' Responsibility for the Financial Statements
The members of the Board are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Botswana Power Corporation Act (CAP 74:01).

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

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 of 31 March 2008, and of their financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards. 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 with : and
• We have received all the information and explanations necessary for the performance of our audit.
• 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 29 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 P85,767,000 for the year.

PricewaterhouseCoopers

Certified Public Accountants
Gaborone **18 August 2008**

Income Statement
for the year ended 31 March 2008

	Notes	2008 P'000	2007 P'000
Revenue	2	938,555	819,680
Other operating income	3	26,126	2,058
TOTAL OPERATING INCOME		**964,681**	**821,738**
Generation, transmission and distribution expenses	4.1	(872,979)	(678,749)
Administration and other expenses	4.2	(177,469)	(206,403)
TOTAL OPERATING EXPENSES		**(1,050,448)**	**(885,152)**
OPERATING LOSS		**(85,767)**	**(63,414)**
Finance income	5	207,933	177,346
Finance costs	6	(11,023)	(12,627)
PROFIT FOR THE YEAR		**111,143**	**101,305**

Balance Sheet
As at 31 March 2008

	Notes	2008 P'000	2007 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	4,242,917	3,616,380
Investment in Associate	7	537	537
Available-for-sale investments	9	63,000	67,500
Investments held-to-maturity	10	68,842	75,703
Consumer loans - Hire Purchase Scheme	11	37,754	40,139
Consumer loans - Rural Collective Scheme	12	30,654	29,642
		4,443,704	**3,829,901**
Current assets			
Available-for-sale investments	9	4,500	10,000
Investments held-to-maturity	10	1,889,867	1,542,394
Consumer loans - Hire Purchase Scheme	11	7,987	10,911
Consumer loans - Rural Collective Scheme	12	10,824	11,709
Inventories	13	75,540	115,494
Trade and other receivables	14	154,529	119,951
Cash and cash equivalents		5,526	26,597
		2,148,773	**1,837,056**
TOTAL ASSETS		**6,592,477**	**5,666,957**
EQUITY AND LIABILITIES			
Capital and reserves			
Irredeemable capital	15	145,637	145,637
Revaluation reserves	16	2,658,335	2,392,758
Other reserves	17	1,320,148	1,112,215
Retained earnings		945,717	1,070,293
		5,069,837	**4,720,903**
Non-current liabilities			
Deferred income - consumer financed projects	18	395,362	160,394
Borrowings	19	118,313	130,163
Consumer deposits		56,708	48,997
		570,383	**339,554**
Current liabilities			
Borrowings	19	17,490	18,444
Trade and other payables	20	247,524	174,327
Advances - consumer financed projects	21	634,131	388,403
Dividend		53,112	25,326
		952,257	**606,500**
Total liabilities		**1,522,640**	**946,054**
TOTAL EQUITY AND LIABILITIES		**6,592,477**	**5,666,957**

Statement of Changes in Equity
for the year ended 31 March 2008

	Irredeemable capital P'000	Revaluation reserves P'000	Other reserves P'000	Retained earnings P'000	Total P'000
Year ended 31 March 2007					
Balance at 1 April 2006	**145,637**	**2,360,467**	**934,869**	**1,141,481**	**4,582,454**
Surplus on revaluation of property plant and equipment (note 8)	-	32,291	-	-	32,291
Profit for the year	-	-	-	101,305	101,305
Transfers	-	-	177,346	(177,346)	-
Dividend	-	-	-	(25,326)	(25,326)
Dividend for 2006 waived				30,179	30,179
Balance at 31 March 2007	**145,637**	**2,392,758**	**1,112,215**	**1,070,293**	**4,720,903**
Year ended 31 March 2008					
Balance at 1 April 2007	**145,637**	**2,392,758**	**1,112,215**	**1,070,293**	**4,720,903**
Surplus on revaluation of property, plant and equipment (note 8)	-	265,577	-	-	265,577
Profit for the year	-	-	-	111,143	111,143
Transfers	-	-	207,933	(207,933)	-
Dividend	-	-	-	(27,786)	(27,786)
Balance at 31 March 2008	**145,637**	**2,658,335**	**1,320,148**	**945,717**	**5,069,837**

Cash Flow Statement
for the year ended 31 March 2008

	Notes	2008 P'000	2007 P'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26.1	430,901	192,528
Interest paid		(6,807)	(7,733)
Net cash generated from operating activities		**424,094**	**184,795**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	5	207,933	177,346
Proceeds from disposal of property, plant and equipment		-	1,121
Purchase of property, plant and equipment	8	(557,543)	(168,888)
Net cash generated by/(used in) investing activities		**(349,610)**	**9,579**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Decrease in long-term borrowings		(12,804)	(4,007)
Decrease in consumer loans - Hire Purchase Scheme		5,309	8,990
Increase in consumer loans - Rural Collective Scheme		(127)	19,540
Increase in consumer deposits		7,711	4,992
Increase/(Decrease) in deferred income - consumer financed projects		234,968	(19,247)
Increase in investments held-to-maturity		6,861	1,290
Decrease in investments available-for-sale investments		10,000	-
Net cash generated from financing activities		**251,918**	**11,558**
Net increase in cash and cash equivalents		**326,402**	**205,932**
Cash and cash equivalents at beginning of the year		1,610,025	1,404,093
Cash and cash equivalents at end of the year	**26.3**	**1,936,427**	**1,610,025**

Accounting Policies

31 March 2008

The principal accounting policies applied by the Corporation in the preparation of these financial statements are set out below. These policies are consistent with those applied in the previous years, unless otherwise stated.

A. Basis of preparation

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Botswana Power Corporation Act (CAP 74:01). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain immovable property, generation, transmission and distribution assets, financial assets and financial liabilities at fair value through profit and loss.

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

I) Adoption of new and revised standards (IFRS)

(a) Amendments to published standards, amendment and interpretations effective in 2008

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Corporation's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Corporation's financial statements.

(b) Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007, these were reviewed and found to have no impact on the Corporation's existing accounting policies:
IFRS 4, 'Insurance contracts';
IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'; and
IFRIC 9, 'Re-assessment of embedded derivatives'.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Corporation.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Corporation's accounting periods beginning on or after 1 January 2008 or later periods, but the Corporation has not early adopted them

IFRIC 11, 'IFRS 2 – Group and treasury share transactions'
IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
IFRS 8, 'Operating segments' (effective from 1 January 2009).

(d) Interpretations to existing standards that are not yet effective and not relevant for the Corporation's operations.

The following interpretations to existing standards have been published and are mandatory for the Corporation's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Corporation's operations:

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008).
IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008).
IFRIC 15, 'Agreements for the construction of real estate' (effective from January 2008)
IFRIC 16, 'Hedges of net investment in foreign operations' (effective from October 2008)
IAS 27, IFRS 1 (Amendment), Consolidated and separate financial statements (effective from 1 January 2009)

Accounting Policies
31 March 2008

IAS 32, (Amendment), Puttable Financial instruments and obligations arising on liquidation (effective from 1 January 2009)

B. Revenue recognition

Revenue comprises the fair value for the sale of goods and services net of value added tax.
Revenue is recognised as follows:

(i) Sale of electricity

(a) Sale of electricity is recognised as revenue when consumed. Invoicing is done monthly on an accrual basis.
(b) Reconnection charges are recognised when reconnection services are provided.

(ii) Interest on consumer loans
Interest on consumer loans is recognised on accrual basis.

(iii) Other income
The sale of materials is recognised when the risks and rewards of ownership are transferred to the buyers.

C. Investment income

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

D. Property, plant and equipment

Property, plant and equipment with the exception of motor vehicles, furniture, fittings and equipment classified as other assets in note 8, is stated at depreciated replacement cost less depreciation based on periodic revaluations by external independent valuers. In the intervening years, the Corporation reassess and reviews the assets' residual values and useful lives, and adjusted if appropriate, at each balance sheet date.

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

Other assets which include motor vehicles, furniture ,data processing equipment and other short life fixtures are stated at historical cost less depreciation.
Interest on borrowings obtained to finance construction of property plant and equipment are capitalised during the period of time that is required to complete and prepare the property for its intended use. Other borrowing costs are expensed.

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

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

Freehold land is not depreciated. Leasehold land is depreciated over the period of the lease. Depreciation on other property, plant and equipment is calculated on the straight line basis so as to amortise the cost or valuation of the property, plant and equipment over their estimated useful lives as follows:

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

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

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

Accounting Policies
31 March 2008

E. Impairment of non financial assets

Assets that have an indefinite useful life, for example 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.

F. Financial assets

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

(a) **Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets. For the purpose of these financial statements short term is defined as twelve months from the Balance Sheet date

(b) **Loans (schemes) and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as consumer loans (notes 11 and 12) trade and other receivables in the balance sheet (Note 14).

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

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Corporation commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

G. Investment in Associates

Associates are all entities over which the Corporation has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Corporation's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Corporation's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Corporation does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Corporation and its associates are eliminated to the extent of the Corporation's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Corporation's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Corporation's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Corporation does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Corporation and its associates are eliminated to the extent of the Corporation's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

H. Foreign currencies

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

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.
Translation differences on other monetary financial assets measured at fair value are included in foreign exchange gains and losses in the income statement. Translation differences on non-monetary items such as equities held for trading and on available-for-sale equities are also included in the income statement.

I. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Cost includes the purchase price and all other direct costs incurred in bringing the products to their present location and condition. Provision is made for obsolete, slow moving and defective inventories.

J. Trade receivables and consumer loans

Trade receivables and consumer loans are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables and consumer loans is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables and loans. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation or default or delay in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of future cash flows, discounted at the market rate of interest for similar borrowers.

K. Cash and cash equivalents

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

L. Borrowings

Borrowings are recognised initially at fairvalue, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest yield method. Borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowings obtained from Debt Participation Capital Funding Limited and Government, at rates below the

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market rates are originally recorded at amortised cost, determined based on the effective yield method.

Under this method, the fair value of the borrowing is measured as the present value of anticipated future cash flows discounted at an applicable interest rate. The difference between the borrowing received and the amortised cost is recognised as income when the borrowing is received and unwinds to interest expense over the period of the loan based on the effective interest yield curve.

M. Consumer financed projects

The non-refundable amounts contributed by Government in respect of capital work carried out for extensions are reflected in advances and the related expenditure incurred is set off against these advances as and when incurred. The non-refundable amounts contributed by the consumers other than by Government are included in deferred income and amortised over the estimated lives of the related assets.

N. Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Employee entitlements to annual leave and contractual gratuities are recognised when they accrue to employees as a result of services rendered by employees up to the balance sheet date.

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

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

O. Retirement benefits

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

P. Trade payables

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

Q. Dividend distribution

Dividend distribution to the Corporation's shareholders is recognised as a liability in the Corporation's financial statements in the period in which dividends are 'approved by the Corporation's shareholders.

R. Capital replacement reserve

The capital replacement reserve is held to fund future additions of the Corporation's property, plant and equipment.

S. Leases

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

T. Related party transactions

Related parties comprise the Government of Botswana, members of the board and senior management. Transactions with related parties are in the normal course of business and are on arms length basis.

FINANCIAL RISK MANAGEMENT

Financial risk factors

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash and price risk), credit risk and liquidity risk. The Corporation's overall risk management

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programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. Risk management is carried out under policies approved by the board. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Corporation is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the American Dollar (USD), South African Rand (ZAR), British Pound (GBP) and Euro (EUR). Foreign exchange risk arises from borrowings, investments and other commercial transactions. Management has set up a policy to require the Corporation to manage its foreign exchange risk against functional currency. To manage foreign exchange risk arising from those transactions, the Corporation ensures that it keeps adequate funds in foreign currency in its bank accounts and negotiated term and conditions in the loan agreements with the lenders. Foreign exchange risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

As at 31st March 2008, the Corporation's foreign exchange exposure was on borrowings and investments. If the Botswana Pula (BWP) had moved 1% against currencies of denomination, the effect would have resulted in exchange loss of **P39,997.**

This would be as a result of foreign exchange loss on the translation of foreign currencies denominated financial assets and liabilities.

ii) Interest rate risk

The Corporation's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk. Borrowings issued at variable rates expose the Corporation to fair value interest rate risk. The Corporation maintains some of its borrowings at variable interest rates agreed with the lenders. During 2008 and 2007, the Corporation's borrowings at variable rate were denominated in Pula (BWP) and various foreign currencies.

An increase in 1% interest rate in pula borrowings would increase the Corporation's interest charged by **P429,029** and the increase in 1% interest rate for foreign borrowings would increase the Corporation`s interest charge by **P899,652.**

(iii) Price risk

The Corporation is exposed to changes in price of raw materials, including commodity prices, prices of purchased energy, water, consultancy services and other costs. To manage its price risk arising from these, the Corporation ensures that prices of materials, commodities and consultancy costs are agreed in advance with its suppliers.

(iv) Cash flow and fair value interest rate risk

The Corporation manages interest risk by ensuring that excess funds are invested in high interest earning bank and investment accounts.

(b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Cash and deposits are held by reputable banks and Finantial Institutions. Management assesses the credit quality of the customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external information by the board and management. The utilisation of credit limits is regularly monitored and deposits are payable by consumers before power is connected. Bills are settled in cash, cheques or electronic transfer. Bills outstanding were reviewed in the age analysis and impairment provision was considered in accordance with IAS 39.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Corporation's liquidity reserves (comprises cash and cash equivalent (Note 26.3) on the basis of expected cash flow. This is generally carried out by management in accordance with practice and limits set by the board.

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(c) Liquidity risk (Continued)

Forecasted liquidity reserve at 31 March 2008 is as follows;

	2009	2010	2011	2012
	Pula'000	Pula'000	Pula'000	Pula'000
Opening balance for the period	1,899,892	1,620,747	1,161,244	484,385
Operating proceeds	1,060,971	1,100,491	1,111,496	1,122,611
Operating cash outflows	(1,033,841)	(1,189,715)	(1,331,591)	(1,464,475)
Cash outflow for investments/assets	(461,848)	(489,559)	(518,932)	(550,068)
Cash in/(out)flow for financing activities	155,573	119,280	62,168	46,500
Closing balance for the period	**1,620,747**	**1,161,244**	**484,385**	**(361,047)**

Note: The above forecast excludes the major capital projects involving expansion of Morupule Power Station at an estimated cost of USD 1 billion as the funding structure has not yet been finalised with the Government.

The table below analyses the Corporation's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
	Pula (000)	Pula (000)	Pula (000)	Pula (000)
At 31 March 2008				
Borrowings	17,780	4,783	22,183	78,689
Accounts payable	247,524	-	-	-
At 31 March 2007				
Borrowings	188	4,720	39,548	138,302
Accounts payable	174,327	-	-	-

Note: The Consumer Deposits of P56,707,503.9 (2007: P48,997,396.65) can not be laddered into any reasonable maturities as the Corporation settles the liabilities only upon contract termination by customers, with such contracts having no definite life terms. Consumers generally maintain their contracts with the Corporation over a long period.

	Within 30 days Pula (000)	30 to 60 days Pula(000)	Over 60 days Pula(000)	Total Pula (000)
At 31 March 2008				
Accounts Receivables - Billing	77,585	10,102	21,628	109,315
Accounts Receivables - Consumer Loans (Schemes)	183,610	7,537	82,914	274,061
Accounts Receivables - Other	28,328	7,386	27,140	62,854
	289,523	**25,025**	**131,682**	**446,230**
At 31 March 2007				
Accounts Receivables - Billing	73,308	8,067	15,351	96,726
Accounts Receivables - Consumer Loans (Schemes)	188,864	15,007	74,563	278,434
Accounts Receivable - Other	19,109	4,982	18,308	42,399
	281,281	**28,056**	**108,222**	**417,559**

All receivables were reviewed for impairment. As at 31st March 2008, trade receivables were **P241,748,000.00 (2007:P212,353,000.00)** an Aging analysis of these trade receivables is as above.

	2008	2007
Consumer Loans	274,061	278,434
Billing	109,315	96,726
Other	62,854	42,399
	446,230	**417,559**

(d) Capital risk management

The Corporation is a parastatal established by an Act of Parliament. The Corporation is supported by its shareholders, Government of Botswana. The Corporation's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the utility industry, the Corporation monitors capital on the basis of the debt to equity ratio. This ratio is calculated as long term debt divided by total equity.

	2008 Pula (000)	2007 Pula (000)
Total long - term debt	135,803	182,758
Total capital and reserves	5,069,837	4,720,903
Debt : equity ratio	0.027	0.039

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The Corporation considers a debt equity ratio of less than 1 to be acceptable. This is reviewed annually after considering market conditions and the growth goals of the Corporation.

The ratio of interest bearing debt to the net book value of property, plant and equipment is calculated as:

	2008 Pula (000)	2007 Pula (000)
Total interest bearing borrowings (note 19)	135,803	182,758
Property, plant and equipment (note 8)	4,242,917	3,616,380
Ratio of interest bearing debt to property, plant and equipment	0.032	0.051

(e) Fair value estimates

The fair value of financial instruments that are not traded in an active market is based on quoted bid prices. The Corporation uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The carrying value of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Corporation makes assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

(a) Useful lives and residual values of property, plant and equipment

The Corporation tests annually whether, the useful life and residual value estimates were appropriate and in accordance with its accounting policy. Useful lives and residual values for land & buildings, generation, transmission & distribution assets and motor vehicles have been determined using professional power consultants and property valuers.

(b) Impairment loss on trade receivables

The Corporation reviews its debtors to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Corporation makes judgements as to whether there is any observable data indicating that there is measurable decrease in estimated cash flows from a portfolio of debtors. Management uses estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(c) Inventory obsolescence provision

Management estimates stock obsolescence provision based on the age and the usage of inventory.

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	2,008 P'000	2007 P'000
1 Operating Loss is stated after charging/(crediting):		
Depreciation (owned assets - note 8)	196,583	174,968
Profit on disposal of property, plant and equipment	-	(1,121)
Repairs and maintenance of property, plant and equipment	32,231	40,489
Accounts receivable - impairment charges for bad debts	17,640	10,551
Foreign exchange loss/gain	6,095	2,699
Cost of material sold	-	72,620
Operating lease charges - property	-	240
Auditors' remuneration - current year	775	624
Auditors' remuneration - prior year under provision	-	30
Board members' fees	276	168
	253,600	**301,268**
2 Revenue		
Sale of electricity:		
Mining	285,275	259,971
Commercial	234,951	192,361
Domestic	268,265	229,740
Government	128,188	114,599
	916,679	**796,671**
Interest earned on consumer loans	20,052	21,179
Reconnection charges	1,824	1,830
	938,555	**819,680**
3 Other operating income		
Profit on consumer financed projects	3,201	184
Profit /(Loss) on sale of materials	21,689	(10,600)
Other income	1,236	12,474
	26,126	**2,058**

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4.1 Generation, transmission and distribution expenses

Fuel, water and chemicals	57,774	35,912
Purchased power	385,898	286,819
Maintenance -Generation	13,649	19,148
-Transmission and CSS (Distribution)	15,672	12,794
-Other	2,913	-
Staff costs -Generation	49,774	46,005
-Transmission, distribution	148,577	99,787
Depreciation -Generation	67,974	76,259
-Transmission, distribution	99,383	84,647
Other expenses -Generation	4,310	3,300
- Transmission, distribution and Other	27,055	14,078
	872,979	**678,749**

4.2 Administration and other expenses

Staff costs	78,856	84,223
Depreciation	22,352	14,062
Auditors' remuneration	775	624
Board members' fees	276	168
Other expenses	75,210	107,326
	177,469	**206,403**

4.3 Total staff costs

Salaries and wages	247,474	222,635
Gratuities	3,149	1,618
Pension contributions	26,584	23,625
	277,207	**247,878**

Average number of employees during the year was 2,010 (2007: 2,015)

5 Finance income

Interest on investments	**207,933**	**177,346**

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6 Finance costs

Interest on borrowings	(6,807)	(7,733)
Exchange losses on foreign payments/investments	(6,095)	(3,890)
Unrealised gains on the revaluation of deposits held with foreign banks.	1,879	(1,004)
	(11,023)	**(12,627)**

7 Investment in Associate

Western Power Corridor (Pty) Ltd	**537**	**537**

In 2003, Western Power Corridor (Pty) Ltd (Westcor) Company was incorporated in the Republic of Botswana. Westcor was formed under the auspices of the Southern African Power Pool to develop Western Power Corridor with source at Inga 3 in the Democratic Republic of Congo (DRC). Five utilities are participating in the project, namely, SNEL (Democratic Republic of Congo), ENE (Angola), NamPower (Namibia), BPC (Botswana) and Eskom (South Africa).
Each utility owns 20% of the share capital of Westcor. Each utility has so far contributed USD 100 000 as start-up capital to fund the first phase of the studies. The Company has not yet started any commercial operations. Inga 3 is planned with a rated output of 3500MW. In addition, Westcor will also engineer the hydroelectric potential of the Kwanza Basin in northern Angola estimated to be 6000MW this Project is still being persued.

8 Property, Plant and Equipment

	Land & Buildings P'000	Generation Transmission & Distribution P'000	Other P'000	Capital Work in Progress P'000	Total P'000
Year ended 31 March 2007					
Opening net book amount	109,729	3,276,502	67,036	136,902	3,590,169
Additions	1,359	2,203	11,648	153,678	168,888
Disposal	-	-	(8,202)	-	(8,202)
Transfers	23,442	32,992	-	(56,434)	-
Revaluation	34,494	(2,203)	-	-	32,291
Depreciation	(34,851)	(123,300)	(16,817)	-	(174,968)
Accumulated depreciation on disposal	-	-	8,202	-	8,202
Closing net book amount	**134,173**	**3,186,194**	**61,867**	**234,146**	**3,616,380**
At 31 March 2007					
Cost or valuation	266,607	5,195,394	149,255	234,146	5,845,402
Accumulated depreciation	(132,434)	(2,009,200)	(87,388)	-	(2,229,022)
Net book amount	**134,173**	**3,186,194**	**61,867**	**234,146**	**3,616,380**

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Year ended 31 March 2008					
Opening net book amount	134,173	3,186,194	61,867	234,146	3,616,380
Additions	1,130	1,068	11,218	544,127	557,543
Disposal	-	-	(1,882)	-	(1,882)
Transfers	11,299	593,466	552	(605,317)	-
Revaluation	17,048	248,529	-	-	265,577
Depreciation	(11,305)	(168,777)	(16,501)	-	(196,583)
Accumulated depreciation on disposal	-	-	1,882	-	1,882
Closing net book amount	**152,345**	**3,860,480**	**57,136**	**172,956**	**4,242,917**
At 31 March 2008					
Cost or valuation	312,911	7,076,690	159,141	172,956	7,721,698
Accumulated depreciation	(160,566)	(3,216,210)	(102,005)	-	(3,478,781)
Net book amount	**152,345**	**3,860,480**	**57,136**	**172,956**	**4,242,917**

If the property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	2008	**2007**	**2006**
	P'000	**P'000**	**P'000**
Cost	2,423,328	2,040,622	1,879,295
Accumulated depreciation	(745,161)	(691,353)	(637,954)
Net book amount	**1,678,167**	**1,349,269**	**1,241,341**

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

In accordance with accounting policy D, the Corporation's land and buildings were valued on a depreciated replacement cost basis at 31 March 2008 by independent professionally qualified valuators. The valuation was performed by Pam Golding International Botswana (Pty) Ltd. Generation, transmission and distribution assets were valued by PB Power, energy consultants, on the depreciated replacement costs. Other assets which include motor vehicles, furniture and fixtures were reassessed and their values were unchanged.

9 Available-for-sale investments

	2008	**2007**
	'000	**'000**
Botswana Telecommunications Corporation Bond (13.75% - 2008)	4,500	4,500
Barclays Bank of Botswana Bond (12.44% - 13.25% - 2014)	3,000	3,000
Government of Botswana Bond (10.25% - 2008)	-	10,000
Government of Botswana Bond (11.10% - 2009)	50,000	50,000
Barclays Merchant Bank Bond (10.50% - 2009)	10,000	10,000
	67,500	77,500
Current portion	(4,500)	(10,000)
Long-term portion	**63,000**	**67,500**

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Available-for-sale investments comprises principally Government and Corporate bonds valued at the close of business on 31 March 2008. Fair value is estimated by reference to the current market value of similar instruments. There were no disposals nor provisions for impairment on available-for-sale investments in 2008 or 2007.

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

10 Investments held-to-maturity

	2008 '000	2007 '000
Deposits with local banks	1,889,867	1,542,394
Deposits with foreign banks	68,842	75,703
	1,958,709	1,618,097
Current portion	**(1,889,867)**	**(1,542,394)**
Long-term portion	**68,842**	**75,703**

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

The deposits with foreign banks have been placed to match the foreign currency exposure on certain of the Corporation's foreign borrowings as per note 19.

The following are the foreign currency deposits:

		2008 '000	2007 '000
US dollar	$	4,325	8,221
British pound	£	15	44
Japanese yen	JPY	-	7,947
Euro	Euro	106	311
South African Rand	ZAR	20,000	21,982

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

The weighted average effective interest rate on deposits and short term investments was 11.1% (2006: 11.2%).

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11 Consumer loans - Hire Purchase Scheme

	2008	2007
	'000	'000
11.1 Hire purchase scheme	59,314	63,157
Less short-term portion	(19,075)	(19,732)
Less provision for impairment - bad and doubtful debts	(2,485)	(3,286)
Long-term portion	**37,754**	**40,139**
11.2 Hire purchase short-term portion (note 11.1)	19,075	19,732
Less provision for impairment - bad and doubtful debts	(11,088)	(8,821)
	7,987	**10,911**
Total	**45,741**	**51,050**

Consumer loans represent the deferred repayment scheme for the cost of capital connections payable by consumers over periods up to 180 months. Loans which are repayable within 18 months period are interest free. Loans over longer periods bear interest which is linked to the Barclays Bank of Botswana prime lending rate (currently 16.0%)

12 Consumer loans - Rural Collective Scheme

	2008	2007
	'000	'000
12.1 Long term Rural Collective Scheme	130,790	129,778
Less advance from Government	(100,136)	(100,136)
Long-term portion	**30,654**	**29,642**
12.2 Short term Rural Collective Scheme	64,882	65,767
Less advance from Government	(54,058)	(54,058)
Short-term portion	**10,824**	**11,709**

Rural Collective Scheme is a Government funded scheme established to provide access to electricity to rural consumers. The scheme is guaranteed by the Government of the Republic of Botswana.

13 Inventories

	2008	2007
	'000	'000
Coal and fuel	4,562	6,978
Maintenance spares and materials	70,978	108,516
	75,540	**115,494**

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14 Trade and other receivables

	2008 '000	2007 '000
Consumer accounts:		
Mining	16,382	14,270
Commercial	38,979	33,579
Domestic	28,780	30,136
Government of the Republic of Botswana	25,174	18,741
Total trade receivables	109,315	96,726
Impairment of doubtful debts	(17,640)	(19,174)
	91,675	77,552
Other receivables	62,854	42,399
	154,529	**119,951**

14.1 The Corporation is holding bank guarantees against certain of these receivables to the value of P10,501,908.00 (2007: P11,346,711)

15 Irredeemable capital

Government of the Republic of Botswana	**145,637**	**145,637**

16 Revaluation reserves

Arising on revaluation of property, plant and equipment	2,658,335	2,392,279
Arising on the Corporation's takeover of the Maun Rural Agency	-	247
Arising on the Corporation's takeover of the Ghanzi Rural Agency	-	232
	2,658,335	**2,392,758**

The movement in these reserves are shown in the statement of changes in equity.

17 Other reserves

Capital replacement reserve	**1,320,148**	**1,112,215**

The movement in these reserves is shown in the statement of changes in equity.

18 Deferred income - consumer financed projects	**395,362**	**160,394**

The amount of the cost of property, plant and equipment of the Corporation financed by private consumers is capitalised and depreciated in accordance with policy note D and the amount received from consumers is recognised as deferred income and amortised over the estimated lives of the related assets.

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19 Borrowings

	2008 '000	2007 '000
Total borrowings (page 71)	135,803	182,758
Portion of foreign exchange liability borne by the Government of the Republic of Botswana	-	(34,151)
Total Corporation debt	135,803	148,607
Short-term borrowings (due within one year)	(17,490)	(18,444)
Long-term borrowings	**118,313**	**130,163**

20 Trade and other payables

	2008 '000	2007 '000
Trade payables and accruals	155,948	99,689
Interest on borrowings	4,727	3,856
Staff costs	39,800	36,690
Retentions	47,049	34,092
	247,524	**174,327**

	2008 '000	2007 '000
21 Advances - consumer financed projects	**634,131**	**388,403**

The non-refundable amounts contributed by Government in respect of capital work carried out for network extensions are reflected in advances and the related expenditure incurred is set off against these advances as and when incurred.

22 Commitments

22.1 The unexpended approved capital expenditure at the year end was as follows:

	2008 '000	2007 '000
Approved but not contracted for	69,004	3,748
Contracted	93,974	75,429
	162,978	**79,177**

The Corporation will finance the above expenditure through internal funds and borrowings.The funding for expansion of Morupule Power Station has yet to be finalised with the Government.The project is estimated at USD 1billion.

22.2 Operating lease commitments

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

	2008 '000	2007 '000
Within one year	3,161	1,650
Later than one year but not later than 5 years	4,688	2,416
	7,849	**4,066**

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23 Retirement benefits

	2008 '000	2007 '000
Contributions during the year	26,584	23,625

24 Tax

The Corporation is exempt from tax in terms of the Second Schedule of the Income Tax Act.

25 Contingent liabilities

	2008 '000	2007 '000
(a) The Corporation has guaranteed the obligation of certain employees under its motor vehicle and residential housing schemes in a total amount of	758,888	21,116

(b) Guarantees - Southern African Power Pool
The Corporation has provided a guarantee of R1,000,000 (2006: R1,000,000) to the Southern African Power Pool for supply of electricity.

(c) Public Liability

	2008 '000	2007 '000
These are claims against the Corporation which are still being contested	5,700	-

Notes to the Financial Statements
31 March 2008

26 Notes to the cash flow statement

26.1 Cash generated from operations:

	2008 '000	2007 '000
Profit for the year	111,143	101,305
Interest received	(207,933)	(177,346)
Interest paid	6,807	7,733
	(89,983)	(68,308)
Adjustments for non-cash items:		
Depreciation (note 8)	196,583	174,968
Profit on disposal of property, plant and equipment	-	(1,121)
	106,600	**105,539**
Cash flows from working capital changes:		
Increase in inventories	39,954	(65,647)
(Increase)/decrease in trade and other receivables	(34,578)	(8,399)
Increase in trade and other payables	73,197	23,563
Increase in advances - consumer financed projects	245,728	137,472
Cash generated from operations	**430,901**	**192,528**

26.2 Dividend paid

	2008 '000	2007 '000
Amounts unpaid at beginning of the year	25,326	(30,179)
Dividend waived	-	30,179
Dividend	27,786	(25,326)
Amounts unpaid at end of the year	53,112	25,326
Dividend paid	**-**	**-**

26.3 Cash and cash equivalents at end of the year

	2008 '000	2007 '000
Bank and cash	5,526	26,597
Deposits with local banks (note 9)	1,889,867	1,542,394
	1,895,393	**1,568,991**

27 Related party transactions

Related parties comprise Botswana Government, senior management and members. Transactions with related parties are as follows:

Remuneration paid to members is disclosed in note 1

Notes to the Financial Statements
31 March 2008

Remuneration of Executive Management was:	2008	2007
	'000	'000
Salaries and other short term employee benefits	2,865	3,146
Terminal benefits	503	603
	3,368	**3,749**

Amounts due from the Government of Botswana is disclosed in note 14. Electricity sales to Government during the year ended 31 March 2008.

Borrowings from Government are disclosed in Note 19.

28 Post balance sheet events

Other than the facts and developments reported on in these financial statements, there have been no material changes in the financial position of the Corporation between year end and the date of approval of these financial statements.

29 Botswana Power Corporation Act

The cost of imported power and other supplies and material requirements for the operations of the Corporation have increased significantly over the years in part due to currency depreciation. In addition, there have been substantial increases in commodities prices in the global markets, which resulted in a significant increase in cost of inputs of the Corporation. The Corporation has been unable to obtain an adjustment of the electricity tariffs sufficient to recoup these substantial cost increases from the consumers. This has therefore resulted in an operating loss for the year of P85,767,000 (2007: loss P63,414,000).

Section 17 of the Botswana Power Corporation Act (Chapter 74:01) 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. Accordingly, the requirements of Section 17 of the Botswana Power Corporation Act have not been met.

Schedule for Long Term Borrowings
31 March 2008

SOURCE	% Rate per annum	Period	2008 P'000	2007 P'000
DPCFL	8,00	1982/2007	-	188
Government of Botswana (funded by Kreditanstalt fur Wideraufbau)	10,00	1984/2009	1,081	2,162
Government of Botswana	6,00	1979/2009	26	51
Government of Botswana (funded by				
DPCFL	10,00	1984/2009	3,681	5,853
DPCFL	8,50	1986/2011	3,068	3,792
DPCFL	8,50	1987/2012	3,723	4,299
DPCFL	7,50	1989/2014	10,183	11,361
Government of Botswana (funded by Japanese Overseas Economic Cooperation Fund)	3,75	1986/2016	13,482	50,224
DPCFL	7,50	1989/2014	9,647	10,763
Nordic Investment Bank (Variable)	1,60 -2,00	1993/2012	19,370	22,931
Government of Botswana (funded by Nordic Development Fund)	0,75	1993/2031	45,398	38,724
European Investment Bank	3,25	1995/2008	1,821	4,720
European Investment Bank	3,47	1998/2011	8,364	10,146
European Investment Bank	13.75	1999/2009	15,959	17,544
TOTAL DEBT			135,803	182,758
Total debt comprises:				
Pula denomination			44,891	38,469
Foreign currency denomination			90,912	144,289
			135,803	182,758
Foreign currency denomination is comprised as follows:				
US dollar $'000			4,325	5,329
British pound £'000			15	44
Japanese yen JPY'000			-	7,742
Euro Euro'000			106	4,838
South African Rand ZAR'000			20,000	20,000
			24,446	37,953
Borrowings repayment analysed by years:				
2006/07			-	-
2007/08			17,780	19,432
2008/09			4,783	17,463
2009/10 and after			113,240	145,863
			135,803	182,758

Key Business Terms

Borrowings/Debt
All interest bearing liabilities.

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

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

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

Current ratio
Current assets divided by current liabilities.

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

Liquid ratio
Current assets less inventory divided by current liabilities.

Gearing ratio
Interest bearing liabilities divided by equity.

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

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

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

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

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

Return on property, plant and equipment
Operating profit after depreciation expressed as a percentage of the average fixed assets.

Earning to irredeemable capital
Net profit expressed as a percentage of Irredeemable capital.

Dividend to irredeemable capital
Dividend paid expressed as a percentage of Irredeemable capital.

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

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

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

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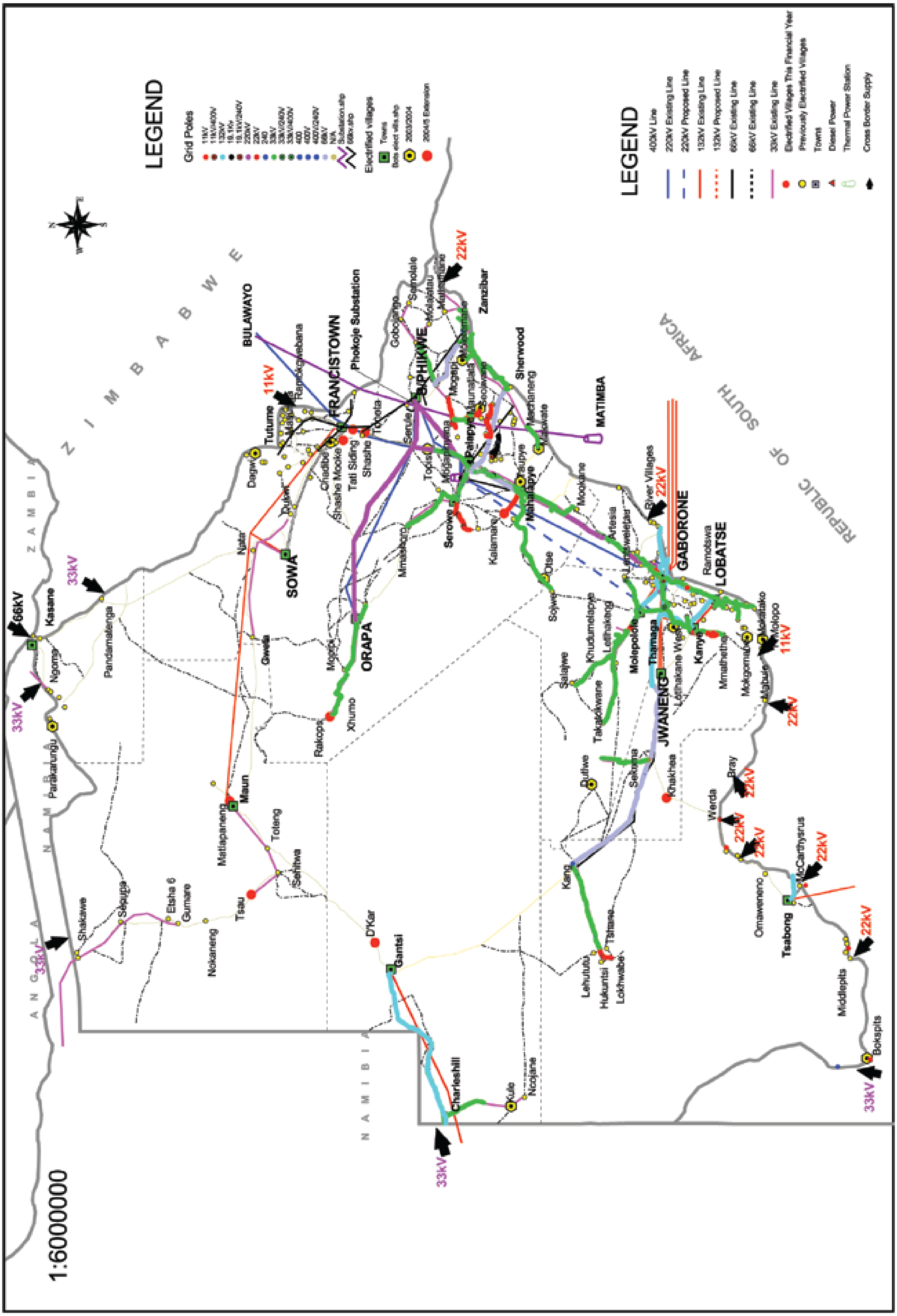
National Electricity Grid of Botswana

as at 31 March 2008



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