Botswana Power Corporation

Annual Report 2009

"Achieving business excellence, through quality service and operational efficiencies"

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
environmentally prudent.

VISION

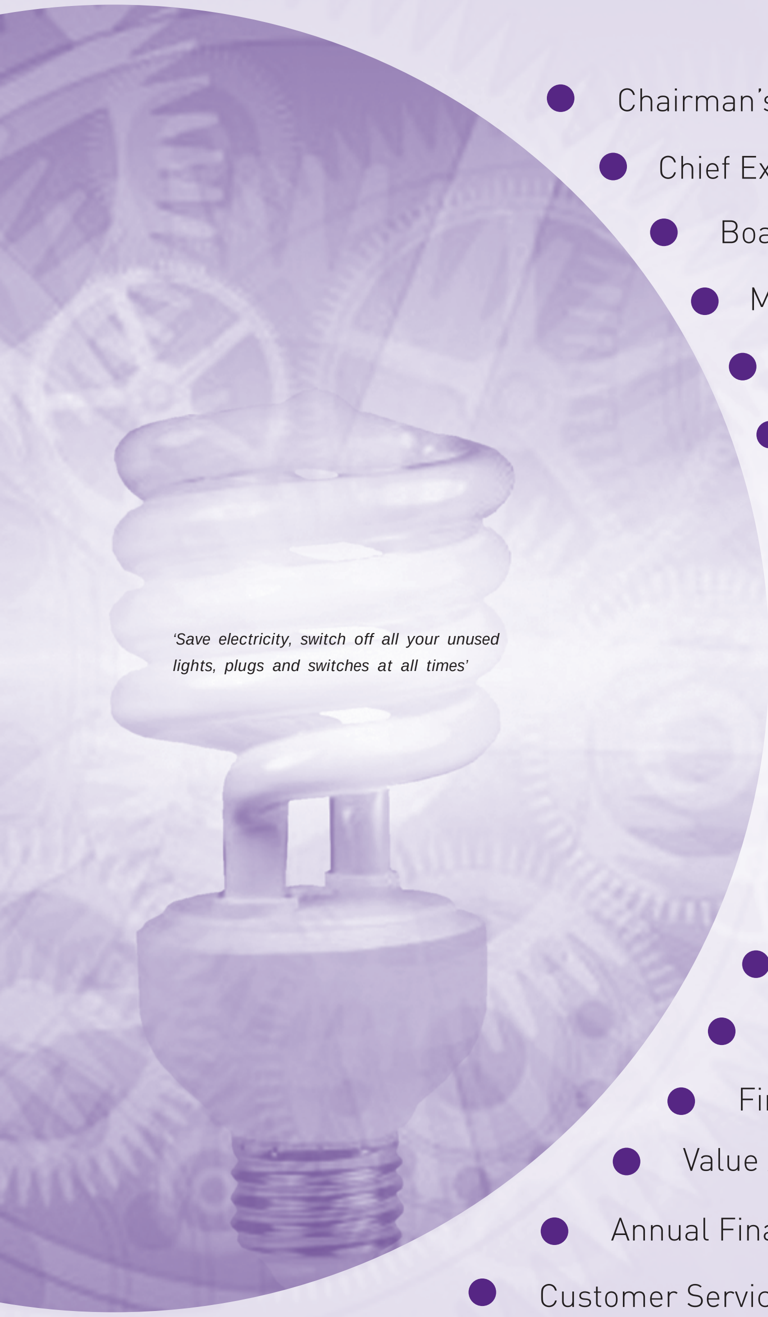
A leading competitive commercial
electricity utility in the region

VALUES

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

An artist's impression of the proposed Morupule B Power Station.

contents



Chairman's Review	4
Chief Executive's Review	6
Board Members	8
Management Team	9
Financial & Operational Highlights	10
Vital Statistics	12
Annual Statistics	13
Generation Strategic Business Unit	14
Transmission Strategic Business Unit	16
Customer Service & Supply SBU	19
Rural Strategic Business Unit	21
Corporate Services SBU	23
Corporate Human Resources	26
Corporate Governance	28
Strategic Projects	31
Financial Review	32
Value Added Statements	34
Annual Financial Statements	35
Customer Service Centers	74
National Electricity Grid of Botswana	76

" Achieving business excellence, through quality service and operational efficiencies"

Chairman's Review

Ms. E T Rakhudu
Chairman of the Board

Once again, I have the pleasure and privilege to present, on behalf of the Board, the Corporation's annual report for the financial year ended 31st March 2009. This report is a requirement under Section 23 (1) of Botswana Power Corporation Act (CAP 74:01).
During the year under review, the Corporation continued, amid a variety of challenges, to deliver on its mandate of providing electricity supply services to the national economy. The major focus areas for the period were:

- Securing Power Supply
- Improving the Corporation's financial position
- Improving customer satisfaction
- Progressing the Corporation's transformation journey

The latter half of the year saw the manifestation of the global financial crisis on the national economy. The most notable impact of this on the Corporation was on the mines, which remain the Corporation's major customers in terms of both sales and revenue. The mines responded to the crisis by, in some cases, closing down operations or deferring expansion investments and, in others, scaling down on the level of existing operations. This had the effect of reducing electricity sales to the mining sector by five percent (5%).

On the other hand, the reduction in mining demand for electricity, while accompanied by a similar rise (in percentage terms) in non-mining consumption, provided some relief on the electricity supply-demand imbalance. Thus, the Corporation was able, with basically the same supply portfolio as in the previous year, to meet electricity demand with even less load-shedding, as compared to the previous year. The Corporation is grateful to our partners in the Southern African Power Pool for their continued support.

The contract for the engineering, procurement and construction of the 600MW Morupule B Power Station project was signed with a Chinese consortium of China National Electric Equipment Corporation (CNEEC) and Shenyang Blower Works Electro-Mechanics Import and Export Company (SBW) in November 2008. The first 150MW unit is scheduled to be delivered thirty-three (33) months from contract commencement date, with the rest of the units following in three-month intervals.

At the time of this report, the Corporation was in the process of finalizing the selection of a preferred bidder from a procurement process that was initiated following a very successful financiers' conference held during the third quarter of the year under review. This will provide the Corporation with the debt portion of the funding requirement, while Government has undertaken to provide the equity portion. The Corporation is grateful in this regard. Regional cooperation and electricity trading remains the main strategy for addressing the supply-demand imbalance in the period before the Morupule B Power Station comes on line. In the short- to medium-term, and recognizing the limited scope for trading, the Corporation is proceeding with the implementation of emergency power supply solutions involving liquid fuel-generation to meet, primarily, peak period electricity demand. These solutions, while necessary, come at a very high price compared to current prices (although relatively small, compared to the cost of not implementing them). It is, therefore, critical that the nation supports and cooperates with the Corporation's demand-side management initiatives.

Going forward, the Corporation continues to give active support to, among others, the following projects whose implementation is expected to add to the Corporation's supply portfolio and/or diversify supply sources:

- Mmamabula Energy Project
- Coal Bed Methane-based generation
- Hydro-based generation through the Western Power Corridor (Westcor) project

The Corporation's cost structure remains dominated by value chain (generation, transmission, distribution and supply) costs. During the reporting period, the cost of electricity imports made more than forty-five percent (45%) of all operating costs. This, combined with the fact that the country imports eighty percent (80%) of the electricity demand, exposes the Corporation's finances to import tariffs, which increased by an average of thirty-four percent (34%) during the year under review. The recorded operating loss of some P376 million (compared to P86 million in the previous period) is, to a large extent, a reflection of the Corporation's inability to match both the level and structure of its electricity costs with the price at which the service is rendered. The increase in electricity tariffs (nine percent (9%) for the domestic sector and fourteen percent (14%) for other customer sectors), which was awarded during the review period closed the gap only marginally. It is in recognition of this that the Corporation is pursuing the formulation of a tariff policy with the Ministry.

During the year, customer service improvement efforts continued to be geared towards improving access to service, improving quality of supply and reviewing customer service processes. The opening of the Kasane Customer Service Centre achieved the twin objectives of increasing customer service access points, as well as bringing service closer to customers. In addition, the number of electricity vending in areas where none existed before increased by two. Furthermore, the Corporation has continued to invest in the installation of new supply infrastructure, as well as upgrading the capacity of the existing network.

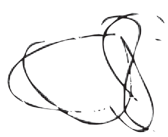
The Corporation remains committed to the transformation journey that it began in the previous review period. However, significant effort is required to put in place enablers that are critical for providing a platform for various aspects of the transformation.

In conclusion, the future does not promise to be any less challenging than what we have seen during the period under review. The ability to deliver on our mandate will continue to be influenced by our ability to access new generation capacity. On the other hand, all indications are that the cost of delivering on the mandate will continue to escalate, reflecting both the increasing cost of imported capacity and energy, as well the cost of the Corporation's own investment in new capacity. Under these circumstances, turning around the Corporation's financial performance will require both time and shareholder support for its sustainability.

Operational efficiency improvement remains a key focus area for the Corporation going into the future, with the goal of positioning the Corporation to operate in a competitive environment.

I am grateful for the Government's continued support for the Corporation. Without this support, the economic downturn challenges affecting the corporation would have been difficult to overcome. I would also like to thank my colleagues on the Board for their dedication and support during a period which had a significant increase in Board activity. On behalf of the Board, I would like to thank all the Corporation's employees for their dedication and effort.

I wish to reserve my last tribute to each and every one of our customers for their support and forbearance. Our commitment to you is to continue to do all we can to deliver on our value proposition to you.



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

Chief Executive's Review

Mr. N J Raleru
Acting Chief Executive Officer

The start of the year under review saw increased pressure on the national, as well as regional, supply-demand balance, challenging the Corporation's ability to meet its statutory mandate of supplying electricity to all sectors of the economy. The growth in system demand (2% compared to the previous period) was met through a supply portfolio that was, in the main, less than the previous period in terms of both availability and certainty. At eighty percent (80%) of total requirements, imports from regional partners once again played a significant role in addressing the supply shortfall.

One of the major challenges experienced over the period has been to have national end-user tariffs that better reflect both the level and structure of the cost of supply. Electricity import tariffs vary according to both season (two seasonal periods) and time of use (three time periods). The granted tariff increase did not match the import tariff increase, that occured during the reviewed period. The overall result is a mismatch between the rates of increase in revenue and operating expenses yielding, over the period under review, an Operating Leverage of slightly above negative two (-2).

It is worth noting that the challenge of matching revenues and expenditure will remain relevant even when the national demand is met from internal sources which, in future, will most likely be a combination of own-generation and purchases from local Independent Power Producers.

As from December 2007, the Electricity Supply Industry (ESI) was opened for competition, challenging the Corporation's monopoly in generation, transmission and supply. It was exactly with this eventuality in mind that the Corporation embarked on a restructuring exercise aimed at adapting to operation in a competitive environment. The year under review represents the second year of operations under the restructured business model. The model seeks to transform the Corporation into an organisation that is:

- More customer service-oriented
- Better at delivering customer services
- More efficient in its operations
- Better able to conduct its affairs on commercial lines as envisaged in the founding statute
- Better prepared for a more competitive Electricity Supply Industry environment

The business model is based on transparently reflecting the cost and revenues associated with each of the value-chain business units of generation, transmission, distribution and supply, as well as the cost of services provided by the corporate support units.

BPC's Business Model

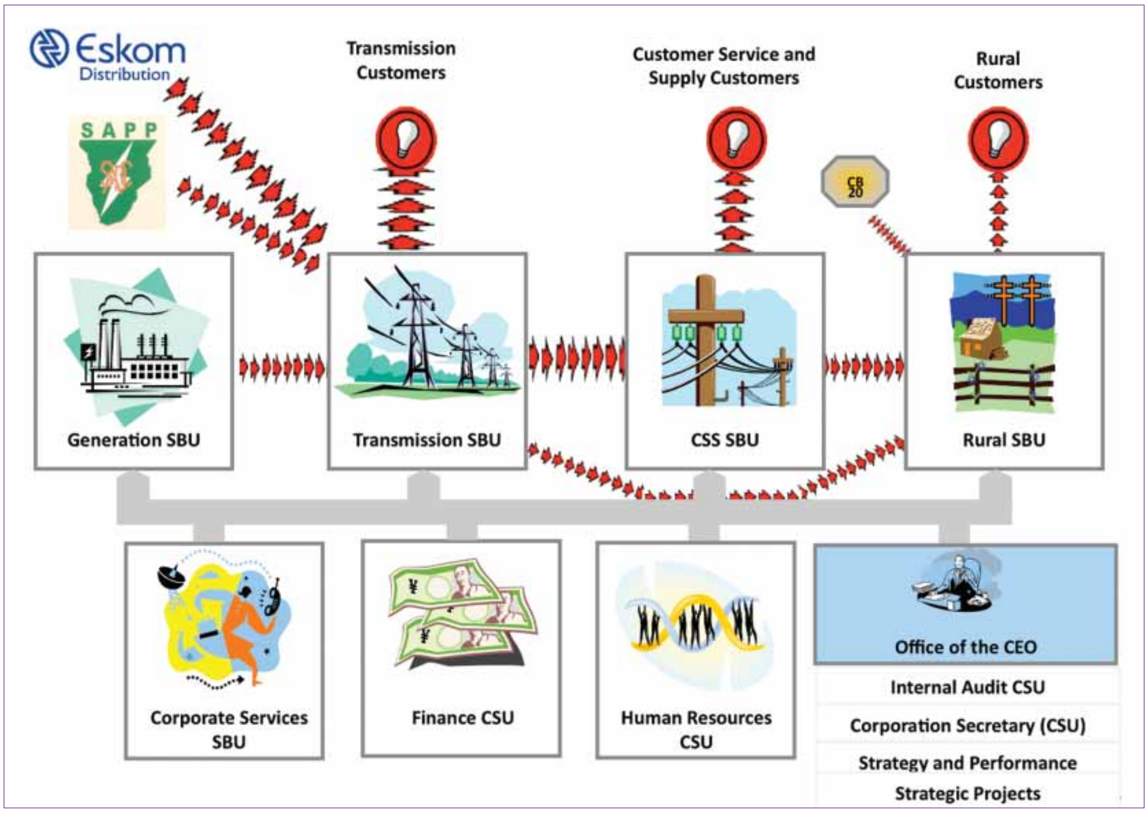


Figure: 1

During the year the Corporation embarked on programmes to revitalize Safety, Health, Environment and Risk (SHER) for all operations. Management has responded to the unfavourable injury experience by instituting an accident reduction plan for Morupule Power Station. In addition, the Corporation has embarked on a revitalisation of its Safety, Health, Environment and Risk (SHER) management programme. The objective is to promote a safety conscious and healthy workforce.

Furthermore, various forms of employee training and development were undertaken, including skills upgrading, literacy programmes, artisan training, as well as support for self-development by employees. The Corporation recognises that its success relies heavily on the skills and competencies of its people.

I have no doubt that with increased pressure on the supply-demand balance, procurement for the implementation of the Morupule B Power Station project, as well as the uncertainty regarding performance of the global economy, the next review period will bring with it even more challenges. However, I am confident that with the support of the Government, the Board, as well as fellow employees, the challenges will be met and surmounted.

I wish to thank our customers and suppliers for their custom and support throughout the year. Our enduring commitment is to deliver to their complete satisfaction.

Mr. N J Raleru
Acting Chief Executive Officer

Board Members

Ms. E T Rakhudu
Board Chairman

Mr. F Motlhatlhedi
Vice Board Chairman

Ms. A Kgosidintsi

Mr. B K Paya

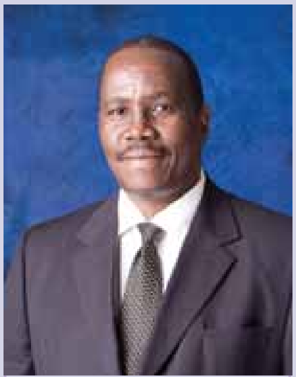
Mr. B Bonyongo

Mrs. P Mogatle-Kanedi

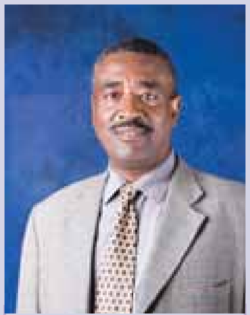
Mrs. S Leburu

Mr. G Ndlovu

Management Team



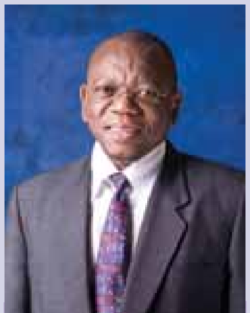
Mr. N J Raleru
Acting Chief Executive Officer



Mr. A U K Joseph
Director, Generation

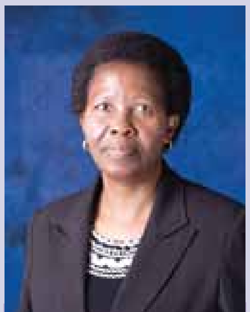
Mr. E Rugoyi
Director, Transmission

Mr. G Mmola
Acting Director, CSS

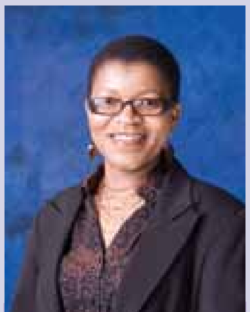


Mr. A Motsepe
Director, Rural

Mr. J H Helmand
Director, Corporate Services



Mrs. R M Mgadla
Chief Financial Officer



Mrs. O S Radira
GM Human Resources

Mr. E Moipolai
Acting Board Secretary

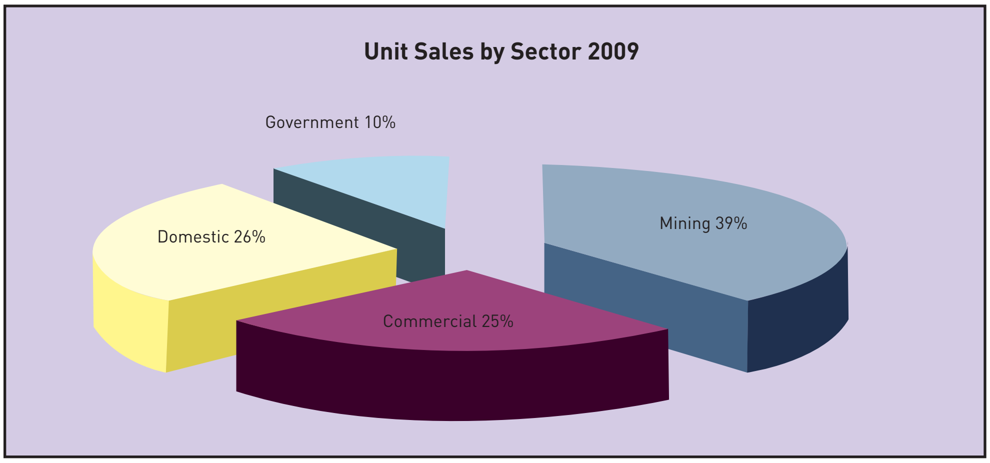


Chart: 1

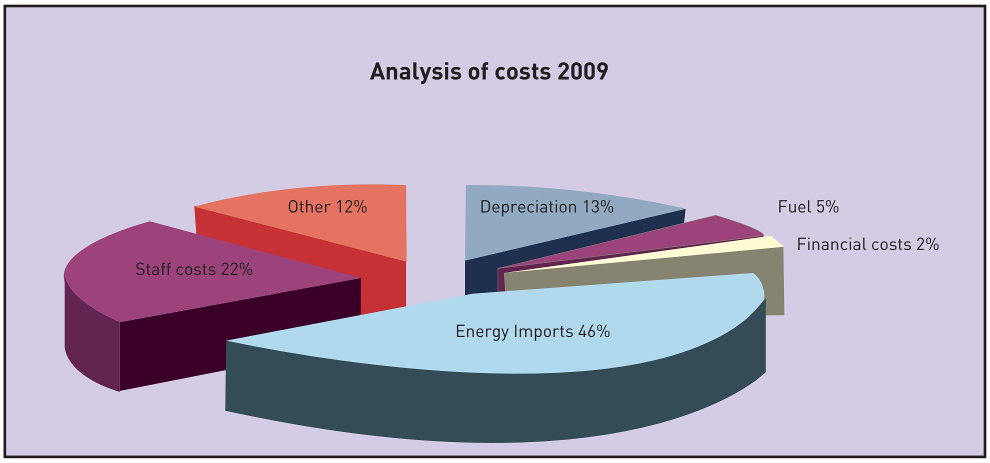
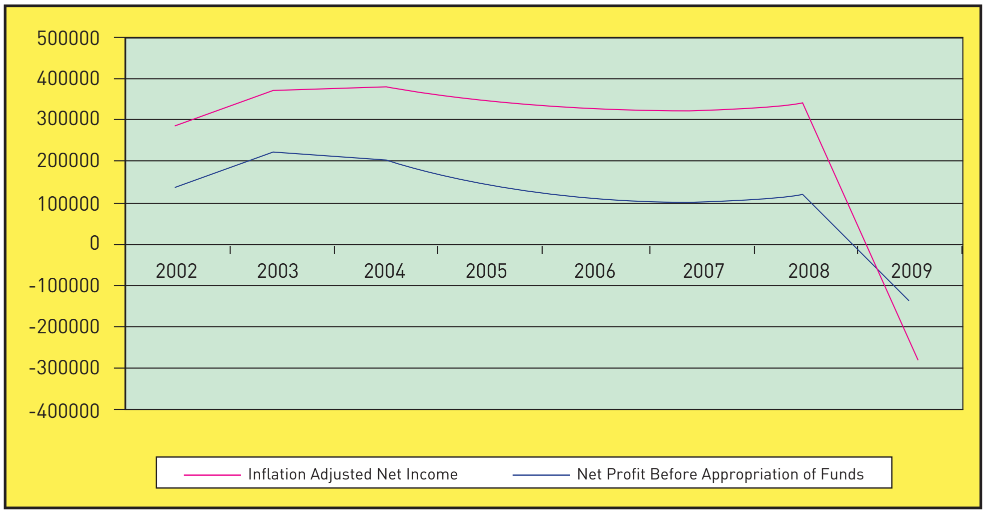


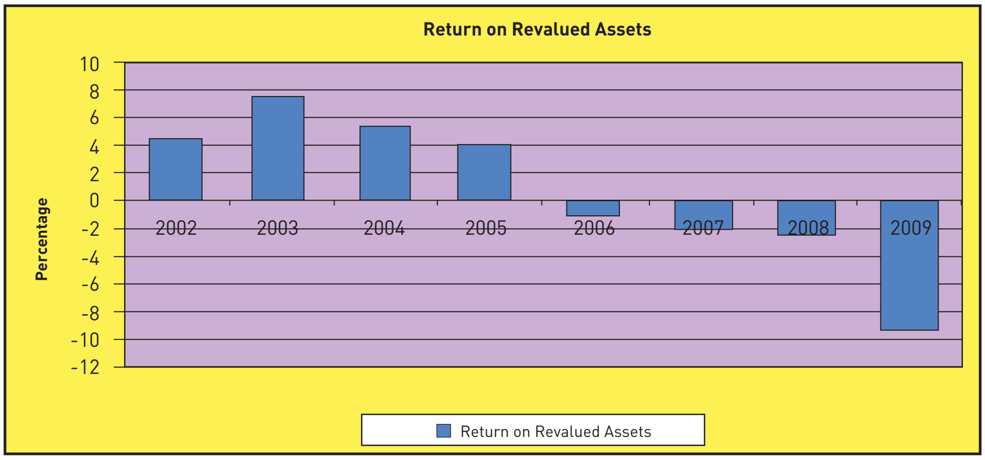
Chart: 2

Net Income Trends

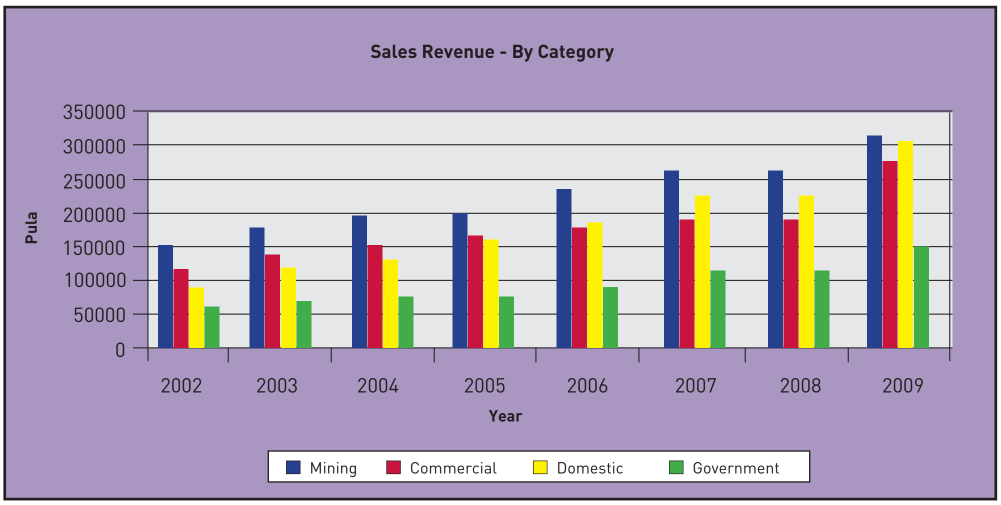


Graph: 1

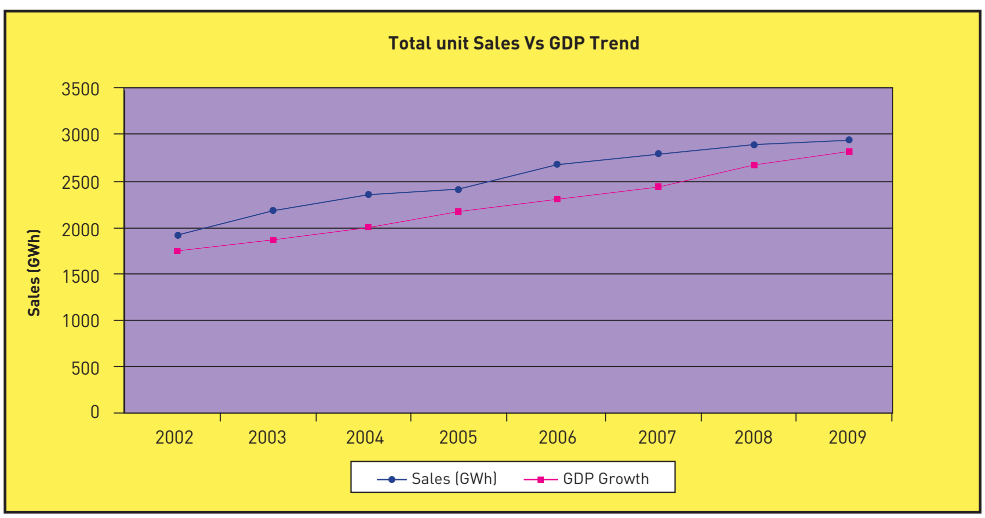
Financial & Operational Highlights



Graph: 2



Graph: 3



Graph: 4

'Save electricity, switch off all your unused lights, plugs and switches at all times'

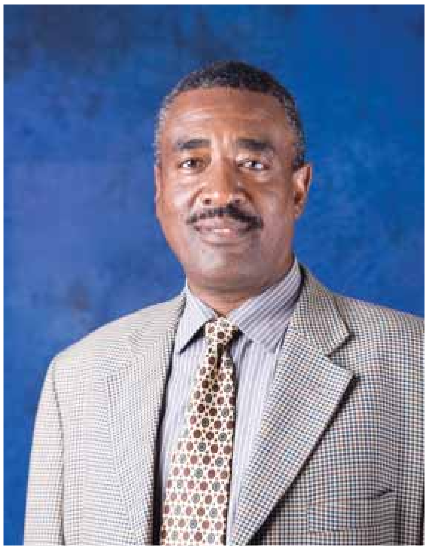
Vital Statistics

Operational Statistics	2009	2008	2007	2006	2005
Revenue (P'000)	1,069,559	938,555	819,680	714,809	633,887
Net profit (P'000)	(133,623)	111,143	101,305	120,718	216,585
Return on revalued fixed assets (%)	(9.25)	(2.27)	(1.9)	(1.0)	4.1
Total unit sales (GWh)	2,917	2,889	2,777	2,626	2,416
Total generation (sent out) and imports(GWh)	3,369	3,210	3,120	2,917	2,731
Head count	1,901	2,010	2,015	2,091	2,111
Total consumers	198,615	196,755	166,651	151,800	136,216
Plant capacity (MW)	132	132	132	132	132
System maximum demand (MW)	503	493	473	434	402
Average selling price per unit (Thebe/kWh)	36	31.7	28.7	26.3	25.3

Annual Statistics

	2008/09	2007/08	2006/07	2005/06	2004/05
Revenue (P'000)	1,069,559	938,555	819,680	714,809	633,887
Operating profit/(loss)	(376,430)	(85,767)	(63,414)	(27,098)	77,323
Net profit/(loss)	(133,623)	111,143	101,305	120,718	216,585
Capitalisation (P'000)					
Long term debt	119,209	135,803	130,163	135,822	139,274
Net assets	6,466,499	5,069,837	4,720,903	4,582,454	3,287,227
Capital expenditure and WIP	1,211,301	628,114	168,888	226,778	259,801
Electricity (GWh)					
Source					
Morupule	620.7	697.0	821.5	977.1	941.7
Station usage	71.0	66.5	95.4	110.8	108.8
Sent out	549.7	630.5	726.1	866.3	832.9
Purchased	2,748.5	2,585	2,393.6	2,050.4	1,898.3
Total sent out and purchased	**3,369.2**	**3,215.8**	**3,119.7**	**2,916.7**	**2,731.2**
Sales disposition (GWh)					
Mining	1,123.2	1186.2	1,199.0	1,184.3	1046.6
Commercial	734.6	683.9	634.0	631.1	613.1
Domestic	768.7	745.1	681.7	584.4	539.3
Government	290.4	273.5	262.0	226.6	216.9
Total sales	**2,916.9**	**2,888.7**	**2,776.7**	**2,626.4**	**2,415.9**
Transmission and distribution losses (GWh)	381.0	327.1	343.0	290.3	315.3
System losses (%)	11.6	10.2	11.0	10.0	11.5
Total consumers	**198,615**	**196,755**	**166,651**	**151,800**	**136,216**
				112.0	
Sales growth (%)					
Mining	-5.0	-1.07	1.24	13.16	(2.8)
Commercial	7.4	7.9	0.5	2.9	7.0
Domestic	3.1	9.3	16.6	8.4	10.2
Government	6.2	4.39	15.62	4.47	(4.5)
Total sales growth	**1.0**	**4.0**	**5.7**	**8.7**	**2.1**
Average selling price (thebe)	**36.0**	**31.7**	**30.5**	**26.3**	**25.3**
Earning ratios (%)					
Net margin	(12.2)	11.8	12.4	16.9	34.2
Earnings to irredeemable capital	(8.1)	76.3	69.6	82.9	148.7
Return on total average assets employed	(1.8)	1.81	1.83	2.6	6.1
Operating profit to revenue	(35.2)	(9.1)	(7.7)	(3.8)	12.2
Return on revalued property, plant and equipment	**(9.25)**	**(2.27)**	**(1.86)**	**(1.0)**	**4.5**

Generation Strategic Business Unit



Mr. A U K Joseph
Director Generation

During the year under review, the Morupule Power Station continued to operate as a base load station, albeit with notable challenges.

Operations and Maintenance

A total of **620.554 GWh** was generated as against a forecast of **870.006 GWh**, while **540.316 GWh** was sent out into the National Grid System. The total units generated represented a decrease of 10.59% over last year's generation. Cost per unit generated was high at 46.63 thebe per kWh, compared to the budgeted 35 thebe per kWh.

The shortfall in production of 28.67% against forecast generation was mainly due to forced outages and increased unit trips during the year under review. The number of unit trips increased from 72 (2007/08) to 132, mainly due to field equipment failures, and increased incidents of boiler tube leaks.

The overall technical performance of Morupule Power station has declined, mainly due to new challenges including aging and obsolete parts and equipment.

Projects and Outages

The Power Plant Residual Life Assessment study has been conducted and indications are that the remnant life of the power plant can be extended by 15 years, provided a sustainable rehabilitation and recapitalisation plan is put in place.

A robust Residual Life Rehabilitation and Refurbishment plan is envisaged to be implemented in the year 2009-2010. The key areas of focus include Re-engineering, Reverse engineering, refurbishment, replacement and upgrading of identified plant equipment.

The Control and Instrumentation Upgrade continued with another unit being completed during the year under review.

It is envisaged that the Control and Instrumentation Upgrade will be completed on all units by October 2009.

Environmental Management

Waste Management

Ash Disposal

During the year under review, Operations generated 95 664 tonnes of ash. The uptake of ash by a local cement manufacturing company increased from 45 770.95 tonnes to 53 860.86 tonnes.

Emissions

The Coal Combustion process generated approximately 783.08 Giga grams of Carbon Dioxide during the year, as compared to 1 139 Giga grams in the previous year.

Emission Controls

Electrostatic Precipitators

Electrostatic Precipitators are highly effective dust collectors, with proven collection efficiencies of up to 99.77%.

A program has been put in place to undertake the refurbishment of these Electrostatic Precipitators in the year 2009-2010, as their capacity may be lost due to age.

Water Management

Morupule Power Station continues to draw raw water for its operations from the boreholes located in Paje Wellfield. The total raw water received at the inlet to the raw water reservoirs stood at 463 262 m^3. The station's water usage for the year was 350 772 m^3 as against 499 271 m^3 consumed in the previous year.

The overall water extraction from the well field was within the Water Apportionment Board approved limit of 657 000 m^3. The demand for water was low as a result of low plant availability.

Environmental Management Plan (EMP) For Existing Morupule Power Station

Following the requirement of the 2005 Environmental Impact Assessment Act, that industrial facilities which existed prior to the Act coming into force have to develop an Environmental Management Plan for their operations, an initiative has been commenced to develop an Environmental Management Plan (EMP) for the existing Morupule Power Station.

The Environmental Management Plan is envisaged to be implemented in the year 2009-2010.

In addition, the power plant is working with the World Bank to set up an Air Quality Monitoring Network for the Morupule area. This is as a result of the Environmental and Social Impact Assessment (ESIA) study carried out for Morupule B project, the results of which indicated concerns in terms of air quality as a result of the emissions from the existing plant. The terms of reference have been completed for this exercise.

Transmission Strategic Business Unit

Mr. E Rugoyi
Director Transmission

Security of Supply

The Transmission Strategic Business Unit, whose mandate is to secure, supply, develop, operate and maintain the transmission grid, faced a challenging period with demand outstripping supply during peak load times during high demand season of the year under review. However, with stakeholder support and cooperation, the supply shortfall was contained within reasonable limits and manual load shedding was minimal and restricted to the non mining sector, which lessened impact on the economy.

A number of demand management and supply side measures currently under implementation were developed to manage the supply gap over the critical period from 2008 to 2012, during which period supply will be constrained on account of inadequate generation capacity in Botswana and the Southern African region as a whole. The security of supply in Botswana should be fully restored through commissioning of Morupule B coal fired 600MW power station scheduled for 2012.

Sources of Electricity Supply

The main source of supply was through the BPC – Eskom (South Africa) 5 Year Power Purchase Agreement for the period 2008 – 2012. Supplementary power imports, which contributed significantly to the BPC supply portfolio were secured through annual trade arrangements between BPC and Electricidade de Mocambique (EDM) of Mozambique.

In addition to the above stated sources of power imports, short term energy trade arrangements with Nampower of Namibia were used to minimize the supply deficit and to optimize the BPC supply portfolio.

Morupule Power Station, despite aged equipment which is prone to frequent and random forced outages, continued to play a key role of supplying a portion of the country's base load throughout the year under review.

The Corporation's National Power Alert publicity campaigns also contributed positively to availability of supply in the form of a 'virtual power station'.

Capacity and Energy Delivered

The total energy demand was impacted negatively by the global economic slowdown, with the commodity price crunch forcing scaling down of operations by some of large power users in the mining sector.

The total electrical energy sent out in 2009 was 3 184 GWh, representing a 2.6% positive growth when compared to the energy sent out in 2008. Imports from South Africa (in the main) and other Southern African Power Pool members constituted 83% of the energy sent out, with the 17% balance being sourced from Morupule Power Station. The total energy delivered at bulk supply points was 3 068 GWh with the transmission technical losses at 3.7% of total energy sent out. Chart 3 shows the market share of the various sources of supply.

Sources of Supply Market Share 2009

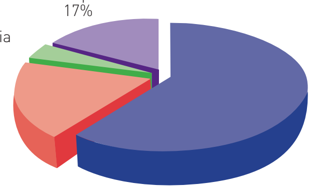


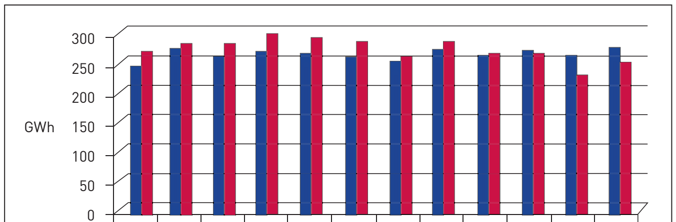
Chart: 3

The system maximum demand recorded during the year under review was 503 MW, representing an increase of 2.1% over the previous year's system maximum demand of 493 MW.

Manual load shedding had to be instituted during some periods when ever demand outstripped available supply, in order to maintain the system in balance. The total energy lost due to inevitable manual load shedding was 6.737 GWh.

A comparison of the energy delivered and system maximum demand for the year under review (2009) and previous year (2008) is shown in charts 2 & 3 respectively.

Monthly Energy Demand Comparison 2008: 2009



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2008	245.9	267.9	256.7	262.6	260.3	258.1	247.9	267.6	257.8	261.7	252.8	265.8
2009	262.2	274.6	275.3	289.1	285.1	278.4	255.1	279.9	260.1	257.3	221.2	246.2

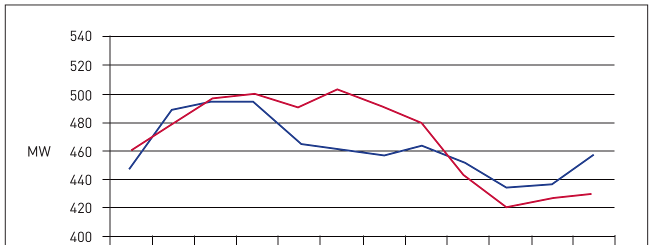
Graph: 5

Electricity Sales to Transmission Customers

Electricity Sales to the three customer categories of the Transmission business unit are indicated in Chart 4.

Sales to the mining sector registered a negative growth of 5% on account of the global financial crunch, which affected operations of some of the months in the last quarter of the year under review. However, significant growth by the non mining sector resulted in an overall energy sales growth of 1% as highlighted above.

Monthly System Maximum Demand Comparison 2008:2009



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2008	448	488	493	493	467	462	456	463	450	431	437	457
2009	461	476	494	499	489	503	492	478	445	419	427	429

Graph: 6

Transmission Operational Performance

A number of faults were experienced on the 132 kV transmission network during the rainy season (November 2008 – March 2009) on account of lightning activity and bird streamers from a flock of birds using an area 30 km from Serule as habitat area, causing frequent trips of the 220 kV line from Serule to Francistown. Numerous transformer trips were also experienced during the rainy season on account of faults from the supplied distribution system.

The above highlighted faults resulted in a System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI) of 2.91 and 13.32 minutes respectively.

Transmission Sales Statistics for 2009

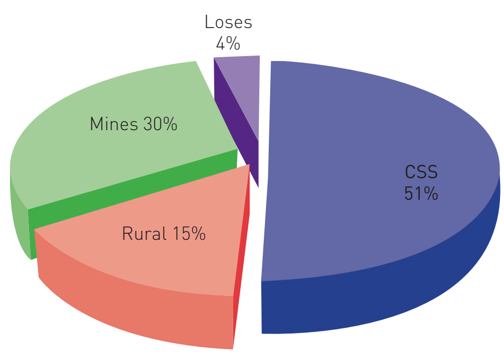


Chart: 4

Transmission Infrastructure Development

Various infrastructure development projects were progressed during the year under review, in accordance with the 10 Year Transmission System Development Plan.

Progress is being made with the commissioning of a new 220 kV line from Phokoje to Hydromet; the associated 220/66/11 kV Hydromet substation accomplished in December 2008 and March 2009 respectively, to provide firm and secure supply to Tati Nickel Mine and their operations at Phoenix. A 132/11kV 40MVA substation in Phakalane, including its 132 kV supply line from Segoditshane 220/132 kV substation were commissioned in March 2009, thus firming supplies to the Phakalane and Mochudi residential areas.

A major highlight on the Botswana power grid development is the commencement of the 400 kV transmission lines and 400/220 kV 630 MVA substation development projects for evacuation of power from the planned Morupule B 600MW power station.

Four projects estimated at BWP 571 million to increase capacity to one of the major customers and to connect two new customers were suspended on customers' requests due to the global economic financial crunch, which led to reduced mineral prices, thus affecting viability of these projects.

Southern African Power Pool – Regional Co-operation

The Business Unit continued to participate actively in the development of the Southern African Power Pool (SAPP). The main areas of focus included revision of the SAPP governance structures and funding documents to align the power pool to power sector reforms taking place in the various Electricity Supply Industries (ESIs) of member utilities. This development will see new players (generators and transmitters) being admitted into the Power Pool.

On the development of the SAPP Electricity Market, subcommittee was established to advance the development of a Day Ahead Market (DAM) which supercedes the Short Term Energy Market (STEM). The DAM will be complemented by new energy pricing and transmission pricing mechanisms.

The power pool is expected to resolve technical and commercial challenges associated with inadvertent energy management in order to facilitate sustainable competitive electricity trade in SAPP.

A Memorandum of Understanding (MOU) was executed by and in between BPC, Nampower of Namibia, ZESCO of Zambia and ZESA of Zimbabwe for furtherance of the Zimbabwe-Zambia-Botswana-Namibia (ZIZABONA) transmission interconnection which would facilitate increased electricity trade in the SAPP.

Customer Service & Supply Strategic Business Unit

Mr. G Mmola
Acting Director Customer Service and Supply

The principal purpose of the Customer Service and Supply Business Unit is to create and operate distribution network assets in order to effectively sell electricity to customers.

The Customer Service and Supply Business Unit purchases bulk supply electricity from the Transmission Business Unit to distribute and sell to its customers and Rural Business Unit.

Demand Side Management Initiatives

A tender for Hot Water Load Control was floated and awarded during the period under review. This project is to reduce the effects of load shedding by switching off geysers as a first option during periods of power shortage. A Memorandum of Understanding has also been signed with Water Utilities Corporation to shift their major pumping activities to off peak periods. This will free up some much needed power during peak periods. Lastly, a load shedding schedule has been published in the local newspapers and is available both at the Corporation's offices and the corporate website to inform customers of the times and days they are likely to be switched off during power shortages.

Customer Services

The establishment of one-stop centers for customers is starting to take shape, with customers now able to get most of the services by walking into any of the Corporation's service centers. The Corporation continues with its endeavor to bring services closer to customers, with the Kasane Customer Service Centre becoming operational during the period under review. Furthermore, new prepaid electricity vending facilities were provided in Lotlhakane and Satau through third party vendors.

Networks and Supply

During this financial year, the Corporation invested in excess of P10 Million in urban areas via 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 Corporation's policy of citizen economic empowerment and capacity building in the outsourced distribution network developmental work is progressing well. The same number of citizen consultants (a total of five citizen consultants out of a total of six) and contractors (a total of eighteen citizen contractors out of a total of twenty-three) was maintained during this financial year. It is envisaged that more citizen consultants and contractors will enter the outsourcing programme and/or carry out other work of higher complexity.

Until September/October of 2008, commodity and fuel prices continued to be volatile in an upward trend. These high prices of fuel and base metals such as copper, steel, aluminium etc have caused the cost of connections to increase resulting in lower connection uptakes.

New Connections:

The number of new connections in the period under review totaled 17 480, (this figure being below the target of 25 638 by 8 158). The period under review has seen a great improvement of 38% when compared to the previous year's new connection, which amounted to 14 474. This improvement is a result of the new villages' electrification project which continued to bring new villages and customers into the electricity grid. The Central District continues with getting more new connections, with 34 % of new connections coming from the district in the period under review. Chart 5 represents percentage of new connections by

district. The total customer base has increased to 198,615 representing 9.7% growth on the 181,125 at the beginning of the financial year. Chart 6 below represents the distribution of the total connections among the districts. The majority of the connections are in the South East (29 %), followed by the Central District (27 %). Kweneng District and North East are 11 % and 10 % respectively. These four districts account for 77 % of the total connections in the country.

New Customer Connections by District

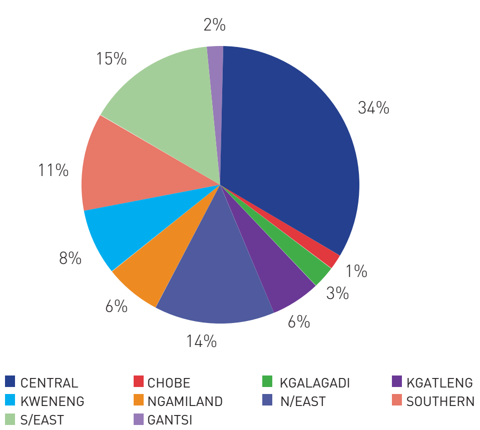


Chart: 5

Distribution of Total Customer Connections by District

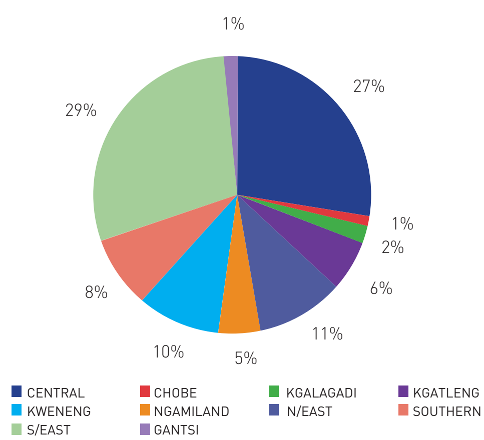


Chart: 6

Rural Strategic Business Unit

Mr. A Motsepe
Director Rural

The Botswana Government's National Development Plan 9 targeted to electrify 130 villages from 2007 to 2010. This electrification plan is being addressed by implementing two main projects namely, the 100 Villages and the 30 Villages Electrification Projects. The 100 Villages Electrification Project is funded by the Government of Botswana through a loan from Swedish and Norwegian banks amounting to US Dollar 89 million. The project implementation is being undertaken in batches of 30, 41 and 29. By March 2009, 30 villages had been electrified. The project is on track and due for completion by September 2010. The 30 Villages Electrification Project is funded directly by Government with P115 Million. By the end of the year under review, 26 villages were electrified. The project was due for completion by August 2009.

To supplement Government efforts to electrify villages across Botswana, Botswana Power Corporation through the Rural Business Unit has undertaken another project to extend networks in 20 already electrified villages of which 18 were done during the year under review.

During the implementation stages of these projects, some challenges were faced and these were mainly due to shortage of materials (such as poles) within the region, while others were due to the long process of acquiring servitude rights from responsible authorities. Besides the grid connection, BPC continued with its initiative to offer alternative energy solutions by way of Photovoltaic (PV) systems to rural communities that are for various reasons unable to connect to the grid. The RE Botswana project which was funded by the Government and the Global Environmental Facility (GEF), has been in progress from October 2005 and is expected to be rolled out in August 2009. Implementation shall be achieved through a franchise network managed by BPC Lesedi, where Solar Charging Stations will be established. Products and services to be offered by BPC Lesedi include, solar electric systems, recharging services for lanterns and small batteries, micro grids supplied by small solar power plants as well as efficient cooking appliances. The estimated market potential for these products and services is at 50, 000 rural customers and employment creation of at least 500 people.

Rural Collective Scheme

Through the Government-supported Rural Collection Scheme (RCS) which is administered by BPC Rural Business Unit, many customers are being connected. Within the period under review, the total number of customers connected through this scheme was 14, 824, bringing the total rural customer base connected through this scheme to 113, 387.

The average connection cost was P 5, 943 by March 2009. With an additional 37 schemes within the year under review, the total number of schemes was 1642 by March 2009. Government supports the RCS by advancing 95% of the costs through deferred repayments over a period of up to 15 years, whilst customers pay 5% deposit to be connected.

This level of investment is a positive development in Government's efforts to alleviate poverty and improve the standard of living for rural communities.

Access to Electricity

During the period under review, rural access to electricity has increased by 6.75% from 40.75% during the previous year, to 47.5 by March 2009. This increase is attributed to the achievements in projects implementation. Access levels per district are shown in graph 7 below.

Graph 8 shows electricity connection patterns per district.

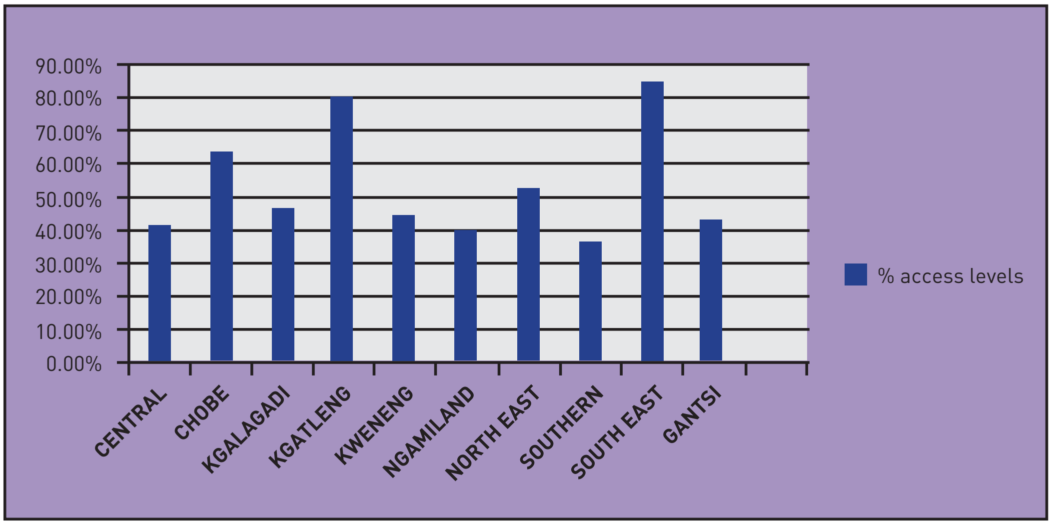
'Save electricity, switch off all your unused lights, plugs and switches at all times'

Out of an estimated total of 380, 928 households, 125, 043 have connected electricity; 118, 798 being domestic/residential while 6, 245 are other categories including business. The figure also shows that Central district has the highest number of connections, followed by Kweneng and the lowest being Chobe district. However, South East district has the highest coverage of the electricity network with 48 % of the households connected, as compared to Southern district with 27% coverage.

Cross Border Supplies

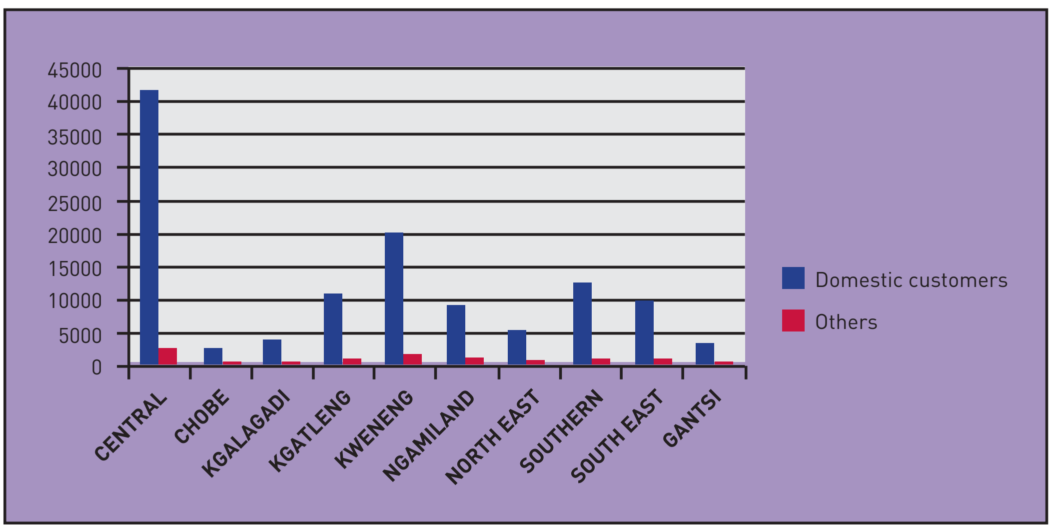
During the period under review, cross border points have remained at 41 from the previous one. The total units purchased for Rural were 808 GWh and this was below budget by 10%.

Electricity Access Levels as at March 2009



Graph: 7

Electricity Connection Levels per District as at March 2009



Graph: 8

'Save electricity, switch off all your unused lights, plugs and switches at all times'

Corporate Services Strategic Business Unit

Mr. J H Helmand
Director, Corporate Services

The mandate of Corporate Services Strategic Business Unit is to provide all the enabling services to the Corporation and to the Business Units on a centralized and shared basis. The unit groups together some shared and support services which can be categorized as follows;

- Information Communications, Technology and Services
- Corporate Planning
- Project Management Services
- Service Level Agreements and Strategy
- Marketing and Communication Services
- Safety, Health, Environment and Risk Management Services
- Business unit Finance and HR

Achievements and Challenges

The Unit had to implement the new business model with functions collected from different former departments which proved a challenge though achieved. A synergy is now being realized and currently, the process of cascading Service Unit Business models is ongoing. This unit manages assets such as Property valued at P 282,626,000.00(gross replacement cost) and Motor vehicle and plant Fleet worth P 74,636,992.78 (purchase price). Most processes are currently being re-engineered and a framework for Service Level Agreements has been achieved. Customer services offices are currently being built in Gumare, Charleshill, Nata, Lobatse and Ramotswa.

Marketing and Communications

During the year under review the Corporation continued with the initiatives that were started during the previous year in response to the challenges brought about by the power shortage in the region. Various educational programmes were launched and presentations on the Power Situation were carried to inform the stakeholders. Senior Government Officials, Members of Parliament, the House of Chiefs, the Business community, through their umbrella body Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) and the Botswana Exporters & Manufacturers Association (BEMA) were among the critical stakeholders participating in these workshops and seminars. A deliberate effort was also made to reach out to schools, Kgotlas and the general public through various media channels.

The Corporate Marketing and Communications continued to drive the energy conservation programmes during the year under review. One of the initiatives implemented was to introduce the use of Compact Fluorescent Lamps (CFL's) in households and institutions. The successful implementation of 1million CFLs would save the country about 30MW of energy. A pilot project involving Ramotswa, Tonota and Lobatse was undertaken. Charitable organizations were also targeted in areas in and around Gaborone and Francistown. The programme also covered all houses belonging to the Corporation staff.

Some collaboration with other organisations such as Water Utilities Corporation and the Standard Chartered Bank was achieved and this facilitated joint awareness campaigns on saving initiatives.

Public Relations and Social Responsibility

The year under review saw the Corporation's active participation in various social development projects and activities in the country. Deserving organizations such as charitable institutions were supported during the year. Our commitment to uplift people's standard of living was the driving force to sponsor such organizations such as the Botswana Red Cross Society, Masiela Trust Fund, SOS Villages, Sponsor-a-Child Trust Fund. Environmental organizations such as Somarelang Tikologo, and the Kalahari Conservation Society also benefitted from the Corporation.

The Corporation participated in the National Consumer Fair which was held in Gaborone and scooped the first prize in the parastatals category.

Information Communication, Technology and Systems

Microsoft Infrastructure Optimization

During the year, the corporation implemented a complete ICT technology refresh project to stabilize the environment and bring it up to date.

Harris Stabilization

The billing system has been upgraded to make it ready for the next stage in systems integration as per the ICT strategy. BPC has implemented a more roburst Microsoft based platform utilizing the corporation standard and rationalized technology platform.

Technology Servers and Data Storage Systems Solution

The Corporation decided to upgrade its existing infrastructure for an integrated Blade Server and SAN Fibre Channel based storage systems solutions. Due to increased performance demand from the business, it became clear that an alternative data storage and server solution was required to meet the current and future data processing and high availability requirements.

Safety, Health and Environmental Performance

A total of 19 disabling injuries were recorded over the year under review. A number of SHE launches were held during this review period at the following SBUs:

- Customer Service and Supply (CSS) –South
- Customer Service and Supply (CSS) -North

Management SHE auditing teams have been resuscitated during this review period to assist in the continued revamping of the SHE program.

The re-launching programme continues during the next financial years to other strategic business units and corporate support Units.

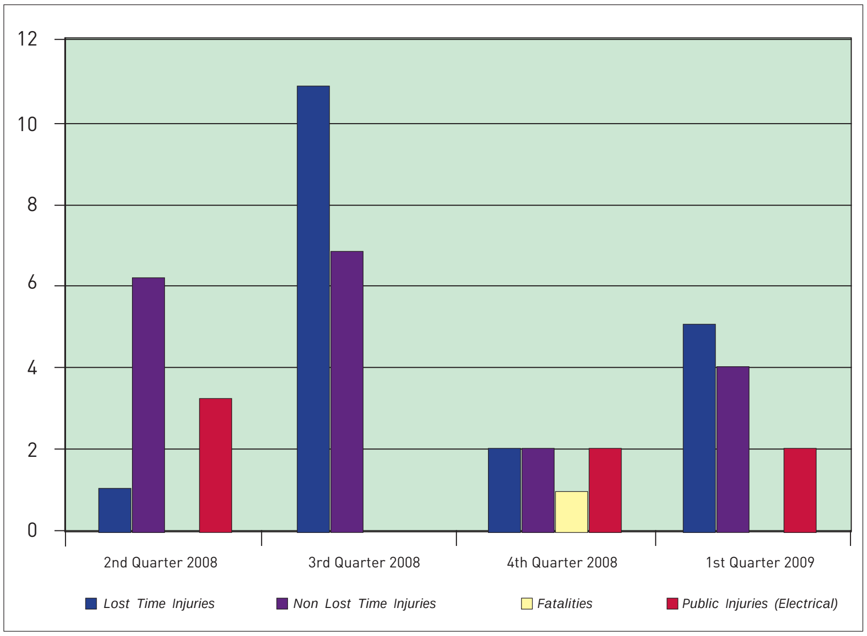
Safety statistics table

The table below depicts the incidents recorded over the year against the year to date;

	Year 2007/2008	Year 2008/2009
Lost Time Injuries	6	21
Non-Lost Time Injuries	22	23
Fatalities	1	1
Public Injuries (Electrical)	5	7
Electrocuted Animals	0	5
Vehicle Damages & Repairs	51	42
Property Damages	16	14
Fire Incidents	0	2
Near Misses/Unsafe Acts /Conditions	20	24
Damaged & Lost Cellphones	8	9

Table: 1

The graph below indicates a quarterly breakdown of the above incidents.



Graph: 9

Security Loss Incidents

The following incidents were reported during the period under review:

Vandalism & Meter Fraud Incidents

Table 2 below shows a breakdown of vandalism and fraud related incidents at each of the three regions. The Corporation has recorded 127 vandalism incidents against a total of 462 incidents recorded over the year 2007/08. This represents a 73% decline in such incidents which can be partly attributed to the stakeholder collaboration strategy adopted by the Corporation in fighting this crime. Below is a statistical presentation of different incidents reported over the year under review at each region.

	Vandalism	Meter Fraud	Illegal Connection	Illegal Supply	Damage by 3rd Party
Southern region	17	10	2	12	3
Central region	102	32	13	10	9
Northern region	8	6	26	16	1

Table: 2

Corporate Human Resources

Mrs. O S Radira
General Manager Human Resources

The principal purpose of the Human Resources Corporate Support Unit is to leverage the management of human resources to increase the value created through and by people in the Corporation. It advises, supports and empowers management in acquiring, deploying, developing, motivating and retaining people by providing a range of value added human and organizational capital services that contribute to the overall achievement of the Corporation's goals.

During the year, the Unit's main area of focus was to nurture and promote total employee wellness by implementing initiatives aimed at improving employees' work-life balance. The Unit concentrated on aligning policies to the current legislature, implementing staff welfare initiatives as well as development of the human resource to improve productivity.

General Staff Movement Challenges

During the year under review, the Corporation's staff complement increased from 1,944 in the previous year, to 1,965 by March 2009. In an endeavor to capacitate Business Units, 118 people were recruited during the year under review, though the Corporation continued to lose other critical skills to emerging competitors, particularly in the Mining and Engineering sectors.

Employee Welfare

Conversion from Non Contributory to Contributory Pension Fund

Conversion from a Non-contributory pension scheme to a Contributory scheme was concluded and implemented in the 2008/09 financial year. This has supported the growth of the pension fund, albeit at a slower than expected rate due to the current financial challenges facing organizations and pension funds. The Corporation continues to educate staff on the benefits of saving for retirement, and general life skills post work.

Implementation of Early Exit Policy (EEP)

Management and the Unions engaged in negotiations, consultations and discussions to implement an early exit policy that would facilitate bringing in new skills in line with the Corporation's new business model. During the year under review, these negotiations were concluded and implementation of a voluntary early retirement exercise commenced. It is expected that about 5% of employees will create the space in the year 2009/2010, to cater for other skills.

Staff Training and Development

The HR Corporate Support Unit, alongside the Corporation's Value of Personal Growth stands to provide human resources management services that will attract, maintain, retain, and grow employees within an environment that is conducive to productivity.

This is evidenced by the importance attached to people development to ensure that quality service is delivered to the customer, and that the employee continues to grow within the Corporation. During the year under review, various programmes were conducted to up skill staff. Such programmes included; Management and Supervisory Development initiatives, technical programmes for artisans such as Trade Tests and Fault Finding Courses. In addition, the HR CSU undertook to have the Corporation's Literacy Programmes revived to give basic literacy training to more employees, and intervention that saw the Corporation winning First Prize for the Literacy and Health Partnership in Education 2008, from the Ministry of Education's Non-Formal Education Department.

Employee Health and Wellness

One of the Corporation's Strategic Priorities is Improving Employee Contribution. To this end, the Corporation has through surveys and educational workshops put in place programmes and initiatives aimed at improving general health and wellness in the workplace.

The Corporation continues to implement the Ill Health Policy for employees incapacitated by illnesses and diseases. In addition, the Special Benefit Fund, in partnership with a medical aid provider continues to provide medical assistance to employees with Chronic Illnesses. During the year under review, 479 employees were enrolled in the fund, as compared to 452 in the previous year.

Mr. E Moipolai
Acting Corporation Secretary

During the review period, the Board and its Committees continued with the execution of several corporate strategic projects. The implementation of the Morupule 'B' Power Station Project progressed satisfactorily and this project proved to be the Board's main challenge. The other major challenge has been to come up with short to medium term solutions to address the national power needs.

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.

2. During the financial year 2008/2009, there were variations and renewals of the Board appointments. At the beginning of the review period there were 7 Members, inclusive of the Chairman.

2.1 In July 2008, Mr. M.S. Koontse, who was then the Vice- Chairman sadly passed away. Ms. B. Morewagae's four year appointment period to the Board expired on 30th September 2008.

2.2 The following members, therefore, remained in the Corporation's Board for the rest of the review period:

- Ms. E T Rakhudu, the Board Chairman (re-appointed for a three year period from 1st October 2008);
- Mr. F O Motlhatlhedi, elected the Vice-Chairman;
- Mrs. P Mogatle-Kanedi,
- Ms. A Kgosidintsi,
- Mr. G Ndlovu,

2.3 The following three new members were appointed to the Board for a four- year period from 1st December 2008;

- Mr. B M Bonyongo,
- Mrs. S Leburu,
- Mr. B K Paya,

As evident above, for some time during the review periods, the Board had vacancies and operated at significantly below full strength. The vacancies did put pressure on governance structures as the serving members had to double responsibilities to make up for the challenges of the vacancies.

3. 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:

- 6th June 2008
- 8th August 2008
- 14th November 2008 and
- 6th March 2009

4. In addition to the Ordinary meetings, the Board held Special Board meetings, to consider urgent business as well as Morupule B Project, on the following dates:

- 4th June 2008
- 10th July 2008
- 12th August 2008
- 28th August 2008
- 26th September 2008
- 22nd October 2008
- 31st October 2008
- 6th January 2009
- 13th February 2009
- 13th March 2009
- 30th March 2009

The need for Special Board meetings was increased mainly by the Morupule B Project dictates.

BOARD COMMITTEES

During the period under review, in accordance with its Board Charter and as empowered by Section 12 of the Act, the Board re-constituted the following Committees for the effective discharge of its mandate:

Board Audit Committee
The Committee has a specific Board mandate to carry out the following functions:

(a) Review financial statements with external auditors prior to approval by the Board.
(b) Ensure the effectiveness of 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 Mogatle-Kanedi. 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.

The committee met to carry out business on the following dates:

- 22th May 2008
- 15th August 2008
- 25th October 2008

Board Procurement and Tender Committee
The Committee's 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 originally chaired by Mr. M S Koontse and later by Ms. A Kgosidintsi.

The committee met to carry out business on the following dates:

- 8th April 2008
- 13th May 2008
- 10th June 2008
- 10th July 2008
- 14th August 2008
- 9th September 2008
- 20th October 2008
- 7th November 2008
- 11th November 2008
- 18th December 2008
- 12th January 2009
- 11th February 2009
- 13th February 2009

Board Executive Committee
The Board Executive Committee's mandate is to consider all matters of policy and others 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 was chaired by Ms. E T Rakhudu.

The Committee met to carry out business on the following dates:

- 14th April 2008
- 29th April 2008

Board Finance Committee
The Committee's mandate is to consider 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.

The Committee met to carry out business on the following dates:

- 16th April 2008
- 22nd May 2008
- 15th August 2008
- 25th October 2008
- 13th February 2009
- 25th February 2009

BOARD MEMBERS' FEES AND REMUNERATION

The Corporation paid members a sitting allowance for every meeting attended, as well as 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.

Strategic Projects

The development and implementation of the Morupule B Power Station Project commenced during the period under review. Morupule B Power Station will be a coal fired, air-cooled power station with a total capacity of 600MW (4x150MW units). On the 15th November 2008, BPC signed an Engineering-Procurement-Construction (EPC)/Turnkey Contract, for the Implementation of Morupule B, with a Chinese Consortium consisting of China National Electric Equipment Corporation, Shenyang Blower Works Electro-Mechanics Import and Export Co Ltd (CNEEC-SBW Consortium). The completion of the Morupule B Power Station is expected to be in the last quarter of 2012. There are other projects associated with the implementation of Morupule B, such as the construction of transmission lines/substations and water supply infrastructure for the supply of water from the new BPC well-field, to the Morupule B Power Station. Morupule Colliery Limited is responsible for the expansion of the Morupule coal mine to meet the increased future coal demand arising from the Morupule B Power Station project.

The cost of the Morupule B Power Station Project, the associated projects and other costs add up to a total of about USD 1.9 billion. The total cost will be financed on a 50:50 debt to equity ratio.

An artist's impression of the proposed Morupule B Power Station.

'Save electricity, switch off all your unused lights, plugs and switches at all times'

Mrs. R M Mgadla
Chief Financial Officer

Revenue Growth and Profitability

The Corporation recorded a net loss of P133.6 million for the year ending 31 March 2009. This reflects a significant decline compared to the P111.1 million net profit in 2008. The loss was mainly attributable to a significant increase on operating costs which went up by 40% on aggregate, against a below average growth is sales revenue.

The main contributing factors for the increase in costs have been consistent with the prior years, which can be summarized as follows:

1. **Imported electricity.** During the year the Corporation continued to heavily rely on external sources of supply, with Eskom of South Africa contributing up to 83% of the imported power. Imported electricity cost which constitutes up to 46% of the total operating cost, went up by 77% from P385.8 million in 2008 to P681.4 in the current year.

2. **Maintenance.** With the existing plant and associated infrastructure reaching the late years of useful life, maintenance and refurbishment costs have been significantly increasing. Although metal prices did drop during the current financial year associated with the global recession in the Corporation, there was no material benefit as in the overall cost of maintenance for the plant increased by 23% during the year.

3. **Fuel.** The general decrease in liquid fuel prices globally did not compensate much for the increase in the cost of coal and chemicals for generation. On average, the cost of fuel went up by 19.5% for the year under review.

The cost structure of the Corporation has remained the same when compared to the prior year. Out of the total operating costs, generation, transmission and distribution expenses accounted for 84%. In 2008, the comparative figure was marginally smaller at 83%.

However, total operating costs have increased significantly by 40% from P1,050.4 million 2008 to P1,471.2 million this year. The year on year increase between 2007 and 2008 was just 18%.

There was a 14.1% growth registered in revenue from electricity sales from P916.7 million in 2008 to P1,046.3 million in 2009. This increase is mainly attributable to tariff adjustments effected at the commencement of the financial year of 9% on domestic consumers and 14% on business consumers and Government, as the Unit sales recorded an increase of just a 1%.

The average sales price for the review period was 36 thebe against an average cost per unit of 49 thebe, excluding depreciation. The overall operating performance therefore resulted in the Corporation registering a total operating loss of P376.4 million compared to P85.8 million operating loss in 2008.

In 2009 a total of 2,917.1 GWh was sold compared to the 2,888.8 GWh sold in 2008. Mining sector consumption, which accounts for approximately 40% of the sales decreased by 5% (63 GWh), mainly due to a slow-down in operations experienced in the mining activity during the last quarter of the financial year. Non-mining sector consumption increased by 5% (92 GWh), which is mainly attributable to new connections and has been almost consistent with the GDP based on historical trends.

Gross revenue, which includes interest earned on consumer loans and reconnection fees, increased by 14% from P938.6 million in 2008 to P1,069.6 million in 2009. Interest earned on consumer loans slightly increased from P20.1 million in 2008 to P21.5 million in 2009.

To meet the units sold, Morupule Power Station generated 549,836 MWh of electricity compared to 630,542 MWh in 2008, this being a decline of 12.8% on domestically available power. This deficit was caused by reduced plant availability at the power station due to regular shut down for maintenance. The total cost after depreciation per unit of electricity generated was 49 thebe compared to 38 thebe for the year 2008. This translates to 28.9% increase in generation cost, of which maintenance made up 58%; fuel input, 20%; and staff costs, 18%.

The Corporation imported 2,748,475 MWh of electricity this year, this being 6.3% higher than the 2,585,258 MWh purchased in 2008. Of the total electricity available for sale during the year 83.3% was therefore imported. The average cost per unit of imported electricity for the year was 23.90 thebe, compared to 14.92 thebe in 2008.

The year to date interest received on short term investments was P268.1 million with an average yield of 11%, almost at the same level with the prior year of 11.1%. Unlike in the previous years, interest income has not been sufficient this financial year to cover the operating loss to leave the financial results at a net profit position.

Due to inflationary pressure on input costs and depressed sales revenue, the Corporation has therefore posted a net loss of P133.6 million for the first time in a number of years.

Financial Position

During the year the total assets increased by 22.2% to P8,375.1 million with property, plant and equipment increasing by 28.5% to P5,454.2 million from P4,242.9 million in 2008.

Loans provided to consumers for electricity connection net of impairment provisions have increased by 5.9% to P92.4 million. The loans are financed through schemes by Government and the Corporation.

Investments held to maturity, to match foreign exchange exposure on offshore borrowings, increased by 3.7% to P71.4 million.
The total current assets increased by 6.3% to P2,293.6 million while current liabilities increased by 12.7% to P1,083million, resulting in a current ratio of 2.13.

The short term investments, which make up to 84% of the total current assets, increased from P1,889.9 million at the beginning of the year to P1,984.35 million.

Inventory increased from P75.5 million to P139.3 million at the end of the year due to the material demanded by major electrification projects during the year.

Trade and other receivables decreased by just 3%, from P154.5 million to P149.9 million. The Corporation's debtor days however increased to 47 compared to 38.1 in the prior year, resulting from the impact of the global recession which led to consumers being unable to service their obligations.

Total equity increased by 27.5% from P5,069.8 million to P6,466.5 million. The significant increase is attributable to capital injection of P1,5 billion by the Government for Morupule B Power Station which was at the design stage as at the end of the year.
Non-current liabilities had a marginal decrease from P826.3 million in 2008 to P825.6 in the current year. Due to the classification of Standard Cost Recovery as a non-current asset, the prior year figure was re-stated from P395.3 million as deferred income was then disclosed at gross. The deferred income for consumer financed projects constitutes 81% of the non-current liabilities.

The Corporation continues to maintain a healthy gearing ratio at 0.02 for the period under review. However, with a net loss of P133.6 million the Corporation return on assets declined to -9.3%.

The Corporation however still maintained a healthy cash position, with short term investments increasing by P34.4 million from P1,894 million to P1,984million.

No dividend was declared to Government since the Corporation recorded a net loss for the year under review.

Value Added Statements

31 March 2009

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

	2009 P'000	%	2008 P'000	%
Value Created				
Revenue	1,069,558		938,555	
Less: Primary costs and services	(956,704)		(583,532)	
Value created from operations	112,854		355,023	
Add: Interest received and other income	293,290		234,059	
Total value created	406,144	100	589,082	100
Value Distributed				
To employees	334,361	82.3	277,207	47.1
Finance costs and borrowing	25,269	6.2	11,023	1.9
Dividend payable to Government	-		27,786	4.7
	359,630	88.5	**316,016**	53.7
Value Retained				
Retained earning	(401,700)	(98.9)	-124576	-21.1
Capital Replacement Reserve	268,075	66.0	207933	35.3
Depreciation	180,140	44.4	189709	32.3
	46,515	11.5	273,066	46.5
	406,144	100	**589,082**	100
Head count	1,901		2010	
Value created per employee	214		293	

2008

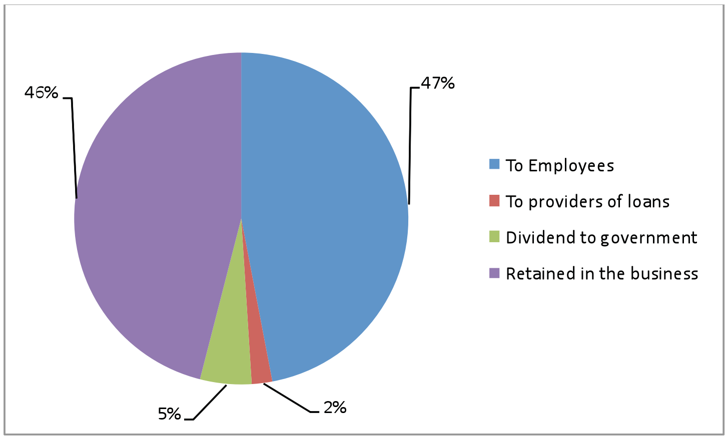
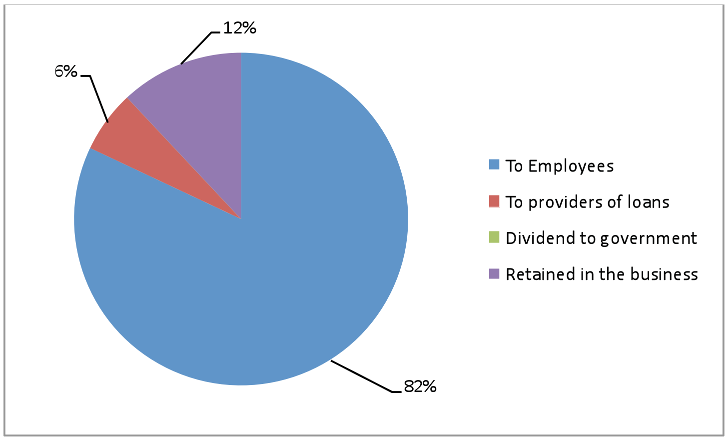


Chart: 7

2009



Graph: 8

'Save electricity, switch off all your unused lights, plugs and switches at all times'

Annual Financial Statements

General Information

for the year ended 31 March 2009

MEMBERS OF THE BOARD

Mrs. E T Rakhudu Chairman
Mr. B K Paya
Mr. G Ndlovu
Mrs. P Mogatle-Kanedi
Mr. F Motlhatlhedi
Ms. A Kgosidintsi
Mr. B Bonyongo
Mrs. S Leburu

EXECUTIVE MANAGEMENT

Mr. N J Raleru	Acting Chief Executive Officer
Mr. A U K Joseph	Director Generation
M. E Rugoyi	Director Transmission
Mr. G Mmola	Acting Director Customer Service and Supply
Mr. A Motsepe	Director Rural
Mr. J H Helmand	Director Corporate Services
Mrs. R M Mgadla	Chief Financial Officer
Mrs. O S Radira	General Manager Human Resources
Mr. M Tibe	General Manager Corporate Strategy and Perfomance
Mrs. K M Mokobi	General Manager Internal Audit

NATURE OF BUSINESS

Botswana Power Corporation provides electricity throughout Botswana. The Corporation was established in 1970 by the Botswana Power Corporation Act (Cap 74:01).

REGISTERED OFFICE

Motlakase House
Macheng Way
P O Box 48
Gaborone
Botswana

BANKERS

Barclays Bank of Botswana Limited.
Standard Chartered Bank Botswana Limited
Stanbic Bank Botswana Limited

ATTORNEYS

Armstrongs
P O Box 1368
Gaborone

Collins and Newman
P O Box 882
Gaborone

AUDITORS

Deloitte and Touche
P O Box 778
Gaborone

'Save electricity, switch off all your unused lights, plugs and switches at all times'

Contents

for the year ended 31 March 2009

	PAGE
Directors' responsibility statement	38
Approval of the annual financial statements	38
Independent auditor's report	39 - 40
Income statement	41
Balance sheet	42
Statement of changes in equity	43
Cash flow statement	44
Accounting policies	45 - 55
Notes to the financial statements	56 - 73

Director's responsibility statement

The Directors are responsible for the preparation and fair presentation of the annual financial statements of Botswana Power Corporation ("the Corporation"), comprising the balance sheet at 31 March 2009, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Botswana Power Corporation Act (Cap 74:01).

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

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

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

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

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Corporation and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Corporation and all employees are required to maintain the highest ethical standards in ensuring the Corporation's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Corporation is on identifying, assessing, managing and monitoring all known forms of risk across the Corporation. While operating risk cannot be fully eliminated, the Corporation endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Directors have made an assessment of the Corporation's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead.

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

The Directors believe the amounts for Consumer loans - rural collective schemes and Standard cost recovery balance disclosed in note 15 and note 16 respectively, should not be provided for as in their opinion will be recovered from the Government of the Republic of Botswana. The Consumer loans - rural collective schemes are guaranteed by the Government of the Republic of Botswana while the Standard cost recovery has arisen from the rural electrification program instituted by the Government of the Republic of Botswana.

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

The independent auditors are responsible for independently reviewing and reporting on the Corporation's annual financial statements. The annual financial statements have been examined by the Corporation's independent auditors and their report is presented on page 5.

Approval of the annual financial statements

The annual financial statements set out on pages 35 to 73, which have been prepared on the going concern basis, were approved by the Board on 6 November 2009 and were signed on its behalf by:

Mrs. E T Rakhudu
Board Chairman

Mrs. P Mogatle-Kanedi
Audit Committee Chairman

Auditor's Report

for the year ended 31 March 2009

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

Report on the Financial Statements

We have audited the accompanying financial statements of Botswana Power Corporation, set out on pages 41 to 73, which comprise the balance sheet as at 31 March 2009, 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.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in 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 2009, and of its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion we draw attention to the Directors report and notes 15,16 and 37 which deals with the following issues:

<u>Consumer loans - rural collective schemes</u>

The Corporation has not recognised a provision for bad bad debts for the outstanding amounts from the Consumer loans - rural collective schemes amounting to P49,641,000 guaranteed by the Government of the Republic of Botswana. The Directors believe the above amounts will be recovered from the Government of the Republic of Botswana.

<u>Standard Cost Recovery</u>

The Corporation has a balance of P479,617,000 receivable, representing the excess of the cost incurred on consumer electricity connections over the standard fees paid by the consumers. The Directors believe the above amounts will be recovered from the Government of the Republic of Botswana.

Auditor's Report

for the year ended 31 March 2009

Going Concern
The Corporation has incurred a loss for the year of P133,623,000. This raises concern about the ability of the Corporation to continue as a going concern. The Directors believe the Government of the Republic of Botswana will continue to support the Corporation to ensure it remains a going concern.

Supplementary Information
Without qualifying our opinion we report the following:

Report on Other Legal and Regulatory Requirements
In accordance with Section 22 of the Botswana Power Corporation Act (CAP74:01), we confirm that:

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

As set out in note 36 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 P376,430,000 (2008:P85,767,000) for the year.

The Corporation has not complied with Section 23(1) of the Botswana Power Corporation Act (Cap:74:01) which requires the Corporation to submit to the Minister a comprehensive report on its operations and audited accounts within a period of six months after the end of the financial year. The Corporation has obtained an extension in this regard, from the Minister to 30 November 2009.

Deloitte & Touche

19 November 2009
Gaborone

Income Statement

for the year ended 31 March 2009

	Notes	2009 P'000	2008 P'000
Revenue	1	1,069,559	938,555
Other operating income	2	25,215	26,126
TOTAL OPERATING INCOME		1,094,774	964,681
Generation, transmission and distribution expenses	3	(1,237,437	(872,979)
Administration and other expenses	4	(233,767)	(177,469)
TOTAL OPERATING EXPENSES		(1,471,204)	(1,050,448)
OPERATING LOSS	5	**(376,430)**	**(85,767)**
Finance income	7	268,075	207,933
Finance costs	8	(25,268)	(11,023)
(LOSS)/PROFIT FOR THE YEAR		**(133,623)**	**111,143**

'Save electricity, switch off all your unused lights, plugs and switches at all times'

Balance Sheet

for the year ended 31 March 2009

	Notes	2009 P'000	2008 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	5,454,218	4,242,917
Investment in associate	11	537	537
Available-for-sale investments	12	3,000	63,000
Investments held-to-maturity	13	71,414	68,842
Consumer loans - hire purchase scheme	14	35,892	37,754
Consumer loans - rural collective scheme	15	36,433	30,654
Standard cost recovery	16	479,617	252,915
		6,081,111	**4,696,619**
Current assets			
Available-for-sale investments	12	60,000	4,500
Investments held-to-maturity	13	1,924,352	1,889,867
Consumer loans - hire purchase scheme	14	6,824	7,987
Consumer loans - rural collective scheme	15	13,208	10,824
Inventories	17	139,266	75,540
Trade and other receivables	18	149,968	154,529
Cash and cash equivalents		324	5,526
		2,293,942	**2,148,773**
TOTAL ASSETS		**8,375,053**	**6,845,392**
EQUITY AND LIABILITIES			
Capital and reserves			
Irredeemable capital	19	1,645,637	145,637
Revaluation reserves	20	2,688,620	2,658,335
Other reserves	21	1,588,223	1,320,148
Retained earnings		544,019	945,717
		6,466,499	**5,069,837**
Non-current liabilities			
Government grant	22	2,733	-
Deferred income - consumer financed projects	23	670,684	648,277
Long term borrowings	24	91,196	121,283
Consumer deposits	25	60,938	56,708
		825,551	**826,268**
Current liabilities			
Current portion of long term borrowings	24	28,013	14,520
Trade and other payables	26	292,387	243,153
Advances - consumer financed projects	27	695,475	634,131
Provisions	28	14,016	4,371
Dividends	30.2	53,112	53,112
		1,083,003	**949,287**
		1,908,554	**1,775,555**
TOTAL EQUITY AND LIABILITIES		**8,375,053**	**6,845,392**

'Save electricity, switch off all your unused lights, plugs and switches at all times'

Statement of Changes in Equity

for the year ended 31 March 2009

	Notes	Irredeemable capital P'000	Revaluation reserves P'000	Other reserves P'000	Retained earnings P'000	Total P'000
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	10	-	265,577	-	-	265,577
Profit for the year		-	-	-	111,143	111,143
Transfers	21	-	-	207,933	(207,933)	-
Gross Dividend	30.2	-	-	-	(27,786)	(27,786)
Balance at 31 March 2008		**145,637**	**2,658,335**	**1,320,148**	**945,717**	**5,069,837**
Surplus on revaluation of property, plant and equipment	10	-	30,285	-	-	30,285
Loss for the year		-	-	-	(133,623)	(133,623)
Transfers	21	-	-	268,075	(268,075)	-
Irredeemable capital contribution	19	1,500,000	-	-	-	1,500,000
Balance at 31 March 2009		**1,645,637**	**2,688,620**	**1,588,223**	**544,019**	**6,466,499**

'Save electricity, switch off all your unused lights, plugs and switches at all times'

Cash Flow Statement

for the year ended 31 March 2009

	Notes	2009 P'000	2008 P'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash (used in)/generated from operations	30.1	(135,844)	430,901
Interest paid		(5,743)	(6,807)
Net cash (used in)/ generated from operating activities		**(141,587)**	**424,094**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		268,075	207,933
Proceeds from disposal of property, plant and equipment		1,425	-
Purchase of property, plant and equipment	10	(1,381,494)	(557,543)
Net cash used in investing activities		**(1,111,994)**	**(349,610)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long term borrowings		(13,861)	(12,804)
Decrease in consumer loans - hire purchase scheme		3,025	5,309
Increase in consumer loans - rural collective scheme		(8,163)	(127)
Increase in consumer deposits		4,230	7,711
Increase in standard cost recovery		(226,702)	(121,910)
Increase in deferred income - consumer financed projects		22,407	356,878
(Increase)/decrease in investments held-to-maturity		(2,572)	6,861
Decrease in available-for-sale investments		4,500	10,000
Irredeemable capital contribution from Government	19	1,500,000	-
Net cash generated from financing activities		**1,282,864**	**251,918**
Net increase in cash and cash equivalents		**29,283**	**326,402**
Cash and cash equivalents at beginning of the year		**1,895,393**	**1,568,991**
Cash and cash equivalents at end of the year	30.3	**1,924,676**	**1,895,393**

'Save electricity, switch off all your unused lights, plugs and switches at all times'

Accounting Policies

for the year ended 31 March 2009

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Botswana Power Corporation Act (74:01).

BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis. The financial statements are based on the following principal accounting policies, which have been consistently followed in all material respects.

ADOPTION OF NEW AND REVISED STANDARDS

Listed below are all the new accounting standards applicable for adoption for year ending 31 March 2009. None of these are applicable to Botswana Power Corporation, ("the Corporation"):

Standard/Interpretation	Annual periods beginning on or after
IFRIC 12 - Service Concession Arrangements	1 January 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

Listed below are standards and interpretations in issue but not yet effective.

Standard/Interpretation	Annual periods beginning on or after
IFRS 2 - Share Based Payments	1 January 2009
IFRS 3 - Business Combinations	1 July 2009
IFRS 8 - Operating Segments	1 January 2009
IAS 1 - Presentation of Financial Statements	1 January 2009
IAS 23 - Borrowing Costs	1 January 2009
IAS 27 - Consolidated and Separate Financial Statements	1 July 2009
IAS 28 - Investments in Associates	1 July 2009
IAS 31 - Interests in Joint Ventures	1 July 2009
IAS 39 - Financial Instruments: Recognition and Measurement	1 July 2009
IFRIC 13 - Customer Loyalty Programs	1 July 2008
IFRIC 15 - Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17 - Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18 - Distributions of Assets to customers	1 July 2009

The following amendments were issued by the IASB during March 2009:

Standard	Annual periods beginning on or after
IFRS 7 – Financial Instruments: Disclosures - Amendments enhancing disclosures about fair value and liquidity risk	1 January 2009
IAS 39 - Financial Instruments: Recognition and Measurement - Amendments for embedded derivatives when reclassifying financial instruments	1 July 2009

ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

On 22 May 2008, the International Accounting Standards Board (IASB) issued its latest Standards, titled Improvements to International Financial Reporting Standards 2008. The Standards included 35 amendments to various Standards listed below:

Standard		Annual periods beginning on or after
IFRS 1 -	First-time Adoption of International Financial Reporting Standards	1 January 2009
IFRS 5 -	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
IFRS 7 -	Financial instruments Disclosures	1 January 2009
IAS 1 -	Presentation of Financial Statements	1 January 2009
IAS 16 -	Property, Plant and Equipment	1 January 2009
IAS 19 -	Employee Benefits	1 January 2009
IAS 20 -	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009
IAS 27 -	Consolidated and Separate Financial Statements	1 January 2009
IAS 28 -	Investments in Associates	1 January 2009
IAS 29 -	Financial Reporting in Hyperinflationary Economies	1 January 2009
IAS 31 -	Interests in Joint Ventures	1 January 2009
IAS 32 -	Financial Instruments: Presentation	1 January 2009
IAS 36 -	Impairment of Assets	1 January 2009
IAS 38 -	Intangible Assets	1 January 2009
IAS 39 -	Financial Instruments: Recognition and Measurement	1 January 2009
IAS 40 -	Investment Property	1 January 2009
IAS 41 -	Agriculture	1 January 2009

The following amendments were issued by the IASB during April and June 2009:

Standard		Annual periods beginning on or after
IFRS 2 -	Share-based Payment - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 July 2009
IFRS 2 -	Share-based Payment - Amendments relating to group cash-settled share-based payment transactions	1 July 2010
IFRS 5 -	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IFRS 8 -	Operating Segments - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 1 -	Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 7 -	Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 17 -	Leases - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 36 -	Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 38 -	Intangible Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 July 2009
IAS 39 -	Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010

'Save electricity, switch off all your unused lights, plugs and switches at all times'

PROPERTY, PLANT AND EQUIPMENT

Land, buildings, generation, transmission and distribution assets are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

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

Depreciation on revalued buildings and generation, transmission and distribution expenses is charged to profit or loss. On the subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

IMPAIRMENT

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

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

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

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

INVENTORIES

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

RETIREMENT BENEFITS

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

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5-Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Corporation's balance sheet at cost as adjusted for post-acquisition changes in the Corporation's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Corporation's interest in that associate (which includes any long-term interests that, in substance, form part of the Corporation's net investment in the associate) are recognised only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Corporation's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where the Corporation transacts with an associate, profits and losses are eliminated to the extent of the Corporation's interest in the relevant associate.

LEASING

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

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

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

GOVERNMENT GRANTS

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

BORROWING COSTS

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

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is deferred in equity and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.
Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

FOREIGN CURRENCIES

In preparing the financial statements of the Corporation, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

PROVISIONS

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

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

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

RELATED PARTY TRANSACTIONS

Related parties are defined as those parties:

(a) directly, or indirectly through one or more intermediaries, the party:
(i) controls, is controlled by, or is under common control with, the entity (this includes parastatals and Government departments);
(ii) has an interest in the entity that gives it significant influence over the entity; or

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

FINANCIAL INSTRUMENTS

Financial assets

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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Corporation does not have financial assets 'at fair value throught profit or loss (FVTPL)'.

<u>Effective interest method</u>
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

<u>Held-to-maturity investments</u>
Fixed deposits with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

<u>Available For Sale financial assets</u>
Unlisted bonds and listed redeemable bonds held by the Corporation that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 32.7. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

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

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Loans and receivables

Trade receivables, consumer loans (rural collective schemes and hire purchase), and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

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

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

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

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

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

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

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

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

Financial liabilities and equity instruments issued by the Corporation

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

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

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Corporation's principal financial liabilities are 'other financial liabilities'.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

CONSUMER DEPOSITS

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

DEFERRED INCOME CONSUMER FINANCED PROJECTS

Deferred income consumer financed projects comprise the cost of capital projects that are financed by third parties. Deferred Income Consumer Financed Projects are recognised on completion of such projects and ammortised to the profit or loss over the useful life of the related item of property, plant and equipment on a straightline basis.

ADVANCES ON CONSUMER FINANCED PROJECTS

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

STANDARD COST RECOVERY

Standard cost recovery comprises the difference between the amount levied to customers in a corridor for new electricity connections and the actual expenditure incurred by the Corporation to effect these connections. This amount is recoverable through further connections to the initial network point. Consumers are expected to pay a standard fee for connections which is expected to match the actual cost incurred by the Corporation when work is being done. However, due to rising cost of materials the actual cost of connection has not matched the revision of the standard cost resulting in the standard cost recovery being on deficit. In this regard Management has been engaging the Government on recovery of the deficit amount. Refer to note 16 for information on the recovery plan.

REVENUE

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

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

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

<u>Other income</u>
The revenue from sale of material is recognised when all of the following conditions are satisfied

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

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

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

Revenue recognition

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

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

Held-to-maturity financial assets

The Directors have reviewed the Corporation's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Corporation's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is P1 995 766 (2008: P1 958 709). Details of these assets are set out in note 13.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Useful lives of property, plant and equipment

As described at above, the Corporation reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Provision for bad debts

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

Recoverability of the Standard Cost Recovery

Management has not impaired the above balance as their belief is that it is recoverable from the Government of Botswana. Refer to note 16 for more details.

'Save electricity, switch off all your unused lights, plugs and switches at all times'

		2009	2008
1	**REVENUE**	**P'000**	**P'000**
	Sale of electricity:		
	Mining	312,885	285,275
	Commercial	279,345	234,951
	Domestic	306,283	268,265
	Government	147,812	128,188
		1,046,325	**916,679**
	Interest earned on consumer loans	21,450	20,052
	Reconnection charges	1,784	1,824
		1,069,559	**938,555**
2	**OTHER OPERATING INCOME**		
	Profit on consumer financed projects	398	3,201
	Profit on sale of materials	11,369	21,689
	Other income	13,448	1,236
		25,215	**26,126**
3	**GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES**		
	Fuel, water and chemicals	69,063	57,774
	Purchased power	681,370	385,898
	Maintenance - Generation	21,589	13,649
	- Transmission and CSS (Distribution)	21,894	15,672
	- Other	1,553	2,913
	Staff costs (Note 6) - Generation	63,019	49,774
	- Transmission, distribution	174,809	148,577
	Depreciation - Generation	69,297	67,974
	- Transmission, distribution	105,260	99,383
	Other expenses - Generation	5,216	4,310
	- Transmission, distribution and Other	24,367	27,055
		1,237,437	**872,979**
4	**ADMINISTRATION AND OTHER EXPENSES**		
	Staff costs(Note 6)	96,533	78,856
	Depreciation	25,081	22,352
	Auditors' remuneration	803	775
	Board members' fees	215	276
	Other expenses	111,135	75,210
		233,767	**177,469**
5	**OPERATING LOSS**		
	Depreciation of property, plant and equipment	199,638	196,583
	Profit on disposal of property, plant and equipment	(585)	-
	Repairs and maintenance of property, plant and equipment	13,698	32,231
	Provision for bad debts	11,093	(1,534)
	Foreign exchange losses	21,231	6,095
	Cost of materials sold	161,218	137,995
	Operating lease charges - property rentals	3,526	2,870

'Save electricity, switch off all your unused lights, plugs and switches at all times'

		2009 P'000	2008 P'000
6	**STAFF COSTS**		
	Salaries and wages	298,441	247,474
	Gratuities	4,296	3,149
	Pension contributions	29,056	25,274
	Early exit package	1,168	-
	Medical retirement package	1,400	1,310
		334,361	**275,897**
7	**FINANCE INCOME**		
	Interest on investments	**268,075**	**207,933**
8	**FINANCE COSTS**		
	Interest on borrowings	(5,743)	(6,807)
	Exchange losses on foreign payments/investments	(21,231)	(6,095)
	Unrealised gains on the revaluation of deposits held with foreign banks	1,706	1,879
		(25,268)	**(11,023)**

9 **TAXATION**

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

10 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
2008					
Balance at beginning of year	134,173	3,186,194	61,867	234,146	3,616,380
Additions	1,130	1,068	11,218	544,127	557,543
Transfers	11,299	593,466	552	(605,317)	-
Revaluation	17,048	248,529	-	-	265,577
Depreciation	(11,305)	(168,777)	(16,501)	-	(196,583)
Balance at end of year	**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)
Carrying amount	**152,345**	**3,860,480**	**57,136**	**172,956**	**4,242,917**
2009					
Balance at beginning of year	152,345	3,860,480	57,136	172,956	4,242,917
Additions	576	6,362	17,300	1,357,256	1,381,494
Cost of disposals	-	-	(1,832)	-	(1,832)
Transfers	-	42,775	-	(42,775)	-
Revaluation	30,285	-	-	-	30,285
Depreciation	(11,387)	(171,529)	(16,722)	-	(199,638)
Accumulated depreciation on disposals	-	-	992	-	992
Balance at end year	**171,819**	**3,738,088**	**56,874**	**1,487,437**	**5,454,218**
At 31 March 2009					
Cost or valuation	313,487	7,125,827	174,609	1,487,437	9,101,360
Accumulated depreciation	(141,668)	(3,387,739)	(117,735)	-	(3,647,142)
Carrying amount	**171,819**	**3,738,088**	**56,874**	**1,487,437**	**5,454,218**

'Save electricity, switch off all your unused lights, plugs and switches at all times'

In accordance with accounting policy, the Corporation's property, generation, transmission and distribution plant and equipment were valued on a depreciated replacement cost basis at 31 March 2008 by independent professionally qualified valuers. The valuation was performed by Pam Golding International Botswana (Proprietary) Limited. During the current year, items of property, plant and equipment were reassessed by PB Power, energy consultants, and their values were found to remain unchanged from last year. If the property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	2009 P'000	2008 P'000
Cost	2,488,508	2,423,328
Accumulated depreciation	(817,411)	(745,161)
Net book amount	**1,671,097**	**1,678,167**

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

In 2003, Western Power Corridor (Proprietary) Ltd ("Westcor") was incorporated in the Republic of Botswana. Westcor was formed under the auspices of the Southern African Power Pool to develop the Western Power Corridor with the source at Inga 3 in the Democratic Republic of Congo (DRC). Five utility Corporations 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 stated capital of Westcor. Each utility has so far contributed USD 100 000 as stated 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.

11 INVESTMENT IN ASSOCIATE

	2009	2008
Western Power Corridor (Proprietary) Limited	**537**	**537**

Available-for-sale investments comprises principally Government and Corporate bonds, valued at the close of business on 31 March 2009. Fair value is estimated by reference to the current market value of similar instruments. The current market value largely agrees to the carrying value. There were no disposals nor provisions for impairment on available-for-sale investments in 2009 or 2008. 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.

12 AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
Botswana Telecommunications Corporation Bond (13.75% - 2008)	-	4,500
Barclays Bank of Botswana Limited Bond (12.44% - 13.25% - 2014)	3,000	3,000
Government of Botswana Bond (11.10% - 2009)	50,000	50,000
Barclays Merchant Bank Limited Bond (10.50% - 2009)	10,000	10,000
	63,000	67,500
Current portion	(60,000)	(4,500)
Long-term portion	**3,000**	**63,000**

			2009 P'000	2008 P'000
13	**INVESTMENTS HELD-TO-MATURITY**			
	Deposits with local banks		1,924,352	1,889,867
	Deposits with foreign banks		71,414	68,842
			1,995,766	1,958,709
	Current portion		(1,924,352)	(1,889,867)
	Long-term portion		**71,414**	**68,842**

Investments held-to-maturity are classified as non current assets, except for maturities within 12 months which are classified as current assets. The current portion of the held-to-maturity comprises fixed deposits with local banks which earn interest at rates ranging from 10.15% to 12.00% (2008: 11.35% to 11.45%). These fixed deposits are invested for periods ranging from 35 to 91 days (2008: 28 to 91 days).

The deposits with foreign banks have been placed to match the foreign currency exposure on certain of the Corporation's foreign borrowings as per note 26.

The following are the foreign currency deposits:

		2009	2008
US dollar	$'000	7,092	4,325
British pound	£'000	-	15
Euro	Euro'000	-	106
South African Rand	ZAR'000	21,181	20,000

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

		2009 P'000	2008 P'000
14	**CONSUMER LOANS - HIRE PURCHASE SCHEME**		
14.1	Hire purchase scheme	62,833	59,314
	Less short-term portion	(23,248)	(19,075)
	Less provision for impairment - bad and doubtful debts	(3,693)	(2,485)
	Long-term portion	**35,892**	**37,754**
14.2	Hire purchase short-term portion (note 14.1)	23,248	19,075
	Less provision for impairment - bad and doubtful debts	(16,424)	(11,088)
	Short-term portion	**6,824**	**7,987**
	Total	**42,716**	**45,741**

Consumer loans represents the deferred repayment scheme for the cost of capital connections payable by consumers over periods of up to 180 months. Loans which are repayable within 18 months' period are interest free. Loans over longer periods bear interest which is linked to the Barclays Bank of Botswana prime lending rate, which at the end of the year was 13% (2008:16%)

'Save electricity, switch off all your unused lights, plugs and switches at all times'

		2009 P'000	2008 P'000
15	**CONSUMER LOANS - RURAL COLLECTIVE SCHEME**		
15.1	Long term Rural Collective Scheme	136,570	130,790
	Less advance from Government	(100,137)	(100,136)
	Long-term portion	**36,433**	**30,654**
15.2	Short term Rural Collective Scheme	67,266	64,882
	Less advance from Government	(54,058)	(54,058)
	Short-term portion	**13,208**	**10,824**
Total		**49,641**	**41,478**

Rural Collective Scheme is a Government funded scheme established to provide rural consumers with access to electricity. The scheme is guaranteed by the Government of the Republic of Botswana. Loans which are repayable within a period of 18 months' period are interest free. Loans over longer periods bear interest which is linked to the Barclays Bank of Botswana Limited prime lending rate, which at the end of the year was 13% (2008:16%)

		2009 P'000	2008 P'000
16	**STANDARD COST RECOVERY**		
	Standard cost recovery	**479,617**	**252,915**

The amount represents an under-recovery of connection costs for customers, within the corridor of standard cost of the Rural Electrification, funded by the Government. Ordinarily, this amount is recoverable from connection of future customers who will pay more than the standard cost of the connection due to their proximity to the already set up connection. However, in the past two financial years, this balance has been less likely to be recoverable due to the increasing cost of raw materials not matched by revised standard charges to the customer, which are determined by the Government of Botswana. Pursuant to the recovery of these amounts, Management has sought reimbursement from the Government of the Republic of Botswana. Discussions on this issue are ongoing.

		2009 P'000	2008 P'000
17	**INVENTORIES**		
	Coal and fuel	15,884	4,562
	Maintenance spares and materials	123,382	70,978
		139,266	**75,540**

		2009 P'000	2008 P'000
18	**TRADE AND OTHER RECEIVABLES**		
	Electricity sales receivables:		
	Mining	10,060	16,382
	Commercial	49,770	38,979
	Domestic	35,439	28,780
	Government of the Republic of Botswana	39,828	25,174
	Total trade receivables	135,097	109,315
	Impairment of trade receivables	(25,617)	(17,640)
		109,480	91,675
	Other receivables	35,482	58,000
	Prepayments	5,006	4,854
		149,968	**154,529**

The average credit period on the sale of electricity is 45 days (2008: 45 days). No interest is charged on the trade receivables. The Corporation has provided fully for all receivables over 120 days, because historical experience has shown that receivables that are past due beyond 120 days, are generally not recoverable. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of electricity, determined by reference to past default experience.

The Corporation holds bank guarantees as security against certain of these receivables to the value of P12,257,739 (2008: P10,501,908). Other receivables are net of P3,116,000 (2008: Nil) provision for doubtful debts. In addition, where customers do not have a bank guarantee, they are required to pay a deposit equivalent to two months worth of their estimated consumption before being connected with electricity supply. The value of these deposits held by the Corporation is disclosed per Note 25.

Included in the Corporation's trade receivable balance are debtors with a carrying amount of P17,282,000 (2008: P14,090,000) which are past due at the reporting date for which the Corporation has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Corporation has a combination of bank guarantee letters and deposits held for these accounts. The average age of these receivables is 90 days (2008: 90 days).

<u>Ageing of past due but not impaired</u>

	2009 P'000	2008 P'000
60-90 days	11,719	10,102
91-120 days	5,563	3,988
Total	**17,282**	**14,090**

<u>Movement in the allowance for doubtful trade receivables</u>

	2009 P'000	2008 P'000
Balance at beginning of year	17,640	19,174
Current year provision	11,093	(1,534)
Balance at end year	**28,733**	**17,640**

'Save electricity, switch off all your unused lights, plugs and switches at all times'

		2009 P'000	2008 P'000
18	**TRADE AND OTHER RECEIVABLES (continued)**		

In determining the recoverability of a trade receivable, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is disclosed as per the breakdown of electricity sales receivables above. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

		2009 P'000	2008 P'000
19	**IRREDEEMABLE CAPITAL**		
	Balance at beginning of year	145,637	145,637
	Contribution received during the year	1,500,000	-
	Balance at end of year	**1,645,637**	**145,637**

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

		2009 P'000	2008 P'000
20	**REVALUATION RESERVES**		
	Balance at beginning of year	2,658,335	2,392,758
	Revaluation during the year	30,285	265,577
	Balance at end of year	**2,688,620**	**2,658,335**

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

		2009 P'000	2008 P'000
21	**OTHER RESERVES**		
	Balance at beginning of year	1,320,148	1,112,215
	Transfer from retained earnings	268,075	207,933
	Balance at end of year	**1,588,223**	**1,320,148**

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

		2009 P'000	2008 P'000
22	**GOVERNMENT GRANT**		
	Benefit of a Government loan at a below-market rate of interest	**2,733**	**-**

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

		2009 P'000	2008 P'000
23	**DEFERRED INCOME - CONSUMER FINANCED PROJECTS**		
	Deferred income - consumer financed projects	**670,684**	**648,277**

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

24 LONG TERM BORROWINGS

	Current		Non current	
	2009 P'000	**2008 P'000**	**2009 P'000**	**2008 P'000**
Borrowings at amortised cost				
Government of the Republic of Botswana (funded by Kreditanstalt fur Wideraufbau)	-	1,081	-	-
Government of the Republic of Botswana	-	26	-	-
Debt Participation Capital Fund	1,287	1,168	-	2,513
Debt Participation Capital Fund	855	787	1,425	2,281
Debt Participation Capital Fund	680	626	2,417	3,097
Debt Participation Capital Fund	1,364	1,268	7,551	8,915
Government of the Republic of Botswana (funded by Japanese Overseas Economic Cooperation Fund)	858	1,372	8,498	12,089
- Gross loan proceeds	1,424	1,372	10,665	12,089
- Fair value adjustments transfered to Government grant)	(566)	-	(2,167)	-
Debt Participation Capital Fund	1,293	1,201	7,153	8,446
Nordic Investment Bank	2,293	2,152	16,052	17,218
Government of the Republic of Botswana (funded by Nordic Development Fund)	1,023	1,032	42,982	44,366
European Investment Bank	-	1,821	-	-
European Investment Bank	2,433	1,986	5,118	6,378
European Investment Bank	15,927	-	-	15,980
	28,013	**14,520**	**91,196**	**121,283**

Currency analysis of borrowings	**2009 P'000**	**2008 P'000**
Pula denominated	33,381	44,870
Foreign denominated	85,828	90,933
Total borrowings	**119,209**	**135,803**

'Save electricity, switch off all your unused lights, plugs and switches at all times'

		Security	Interest rate per annum	2009 P'000	2008 P'000
24	**LONG TERM BORROWINGS (Continued)**				
	Government of Republic of Botswana (funded by Kreditanstalt fur Wideraufbau)	On-lent	10.00%	-	1,081
	Government of Republic Botswana	On-lent	6.00%	-	26
	Debt Participation Capital Fund	On-lent	10.00%	1,287	3,681
	Debt Participation Capital Fund	On-lent	8.50%	2,280	3,068
	Debt Participation Capital Fund	On-lent	8.50%	3,097	3,723
	Debt Participation Capital Fund	On-lent	7.50%	8,915	10,183
	Government of Republic of Botswana (funded by Japanese Overseas Economic Cooperation Fund)	On-lent	3.75%	9,356	13,461
	Debt Participation Capital Fund	On-lent	7.50%	8,446	9,647
	Nordic Investment Bank	Government of the Republic of Botswana		18,345	19,370
	Government of Republic of Botswana (funded by Nordic Development Fund)	Government of the Republic of Botswana	3.00-5.00%	44,005	45,398
	European Investment Bank	Government of the Republic of Botswana	3.47%	-	1,821
	European Investment Bank	Government of the Republic of Botswana	3.47%	7,551	8,364
	European Investment Bank	Government of the Republic of Botswana	3.25%	15,927	15,980
				119,209	**135,803**
	The borrowings are repayable as follows				
	Up to 1 year			28,013	14,520
	2 - 5 years			-	-
	Later than 5 years			91,196	121,283
	Total			119,209	135,803
25	**CONSUMER DEPOSITS**				
	Consumer deposits			**60,938**	**56,708**

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

		2009 P'000	2008 P'000
26	**TRADE AND OTHER PAYABLES**		
	Trade payables and accruals	177,503	155,060
	Interest on borrowings	2,616	4,727
	Staff costs	41,031	36,317
	Retentions	71,237	47,049
		292,387	**243,153**

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

		2009 P'000	2008 P'000
27	**ADVANCES - CONSUMER FINANCED PROJECTS**		
	Advances received from customers	**695,475**	**634,131**

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

		Legal provision P'000	Gratuity P'000	Decommissioning Costs P'000	Total P'000
28	**PROVISIONS**				
	Balance at 1 April 2008	-	3,483	888	4,371
	Additional provisions raised	7,373	4,296	-	11,669
	Reductions due to payments	-	(2,024)	-	(2,024)
	Balance at 31 March 2009	**7,373**	**5,755**	**888**	**14,016**

(a) Legal provision

Legal provision represents an amount expected to be settled with Phakalane Estates dating back to 1985. The Board of Assessors, through a letter from the Attorney General dated 1 June 2009, handed down a ruling for the Corporation to settle the amount to the claimant.

(b) Gratuity provision

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

(c) Decommissioning costs

The provision for decommissioning costs represents the present value of the Directors' estimate to dismantle the idle Selebi Phikwe powerstation.

		2009 P'000	2008 P'000
29	**COMMITMENTS**		
29.1	**Capital commitments**		
	Approved but not contracted for	589	69,004
	Contracted	8,131,714	93,974
		8,132,303	**162,978**

The Corporation will finance the above expenditure through internal funds and external borrowings. Refer to Note 35 for details of funding for the capital committments.

29.2 Operating lease commitments

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

	2009 P'000	2008 P'000
Within one year	4,363	3,161
Later than one year but not later than 5 years	2,980	4,688
	7,343	**7,849**

		2009 P'000	2008 P'000
30	**NOTES TO THE CASHFLOW STATEMENT**		
30.1	**Cash generated from operations:**		
	(Loss)/profit for the year	(133,623)	111,143
	Interest received	(268,075)	(207,933)
	Interest paid	5,743	6,807
		(395,955)	(89,983)
	Adjustments for non-cash items:		
	Depreciation of property, plant and equipment	199,638	196,583
	Profit on disposal of property, plant and equipment	(585)	-
		(196,902)	**106,600**
	Cash flows from working capital changes:		
	(Increase)/decrease in inventories	(63,726)	39,954
	Decrease/(increase) in trade and other receivables	4,561	(34,578)
	Increase in trade and other payables	49,234	67,785
	Increase in provisions	9,645	5,412
	Increase in advances - consumer financed projects	61,344	245,728
		61,058	**324,301**
	Cash (used in)/generated from operations	**(135,844)**	**430,901**
30.2	**Dividend paid**		
	Amounts unpaid at beginning of the year	53,112	25,326
	Dividend	-	27,786
	Amounts unpaid at end of the year	(53,112)	(53,112)
	Dividend paid	**-**	**-**

Gross dividends for 2007 and 2008 have not been paid, as the Corporation is still negotiating a waiver of dividend as has been the case in the past. When the matter is finalised, with-holding tax of 15% included therein shall be due and payable.

		2009 P'000	2008 P'000
30.3	**Cash and cash equivalents at end of the year**		
	Bank and cash	324	5,526
	Deposits with local banks	1,924,352	1,889,867
		1,924,676	**1,895,393**

31 RETIREMENT BENEFITS

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

Contract employees that are not members of the retirement benefit plan are entitled to gratuities that are a percentage of the basic salary over the period of their employment contracts.

The contributions are recognised as an expense for the retirement benefit plan and the gratuity expenses are disclosed as per note 6.

'Save electricity, switch off all your unused lights, plugs and switches at all times'

32 FINANCIAL INSTRUMENTS

32.1 Capital structure

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Corporation's overall strategy remains unchanged from 2008.

The capital structure of the Corporation consists of debt, which includes the current and non current liabilties as disclosed on the balance sheet, cash and cash equivalents disclosed on note 28.3 and equity attributable to equity holders of the parent, comprising irredeemable capital, revaluation reserves, other reserves and retained earnings as disclosed in notes 19, 20, 21 and the balance sheet respectively.

	2009 P'000	2008 P'000
Gearing ratio		
Debt	1,908,554	1,775,555
Cash and cash equivalents	**(1,924,676)**	**(1,895,393)**
Net cash and cash equivalents	**(16,122)**	**(119,838)**
Equity	**6,466,499**	**5,069,837**
Net debt to equity ratio (%)	**0%**	**(2%)**

32.2 Categories of financial instruments

	2009 P'000	2008 P'000
Financial assets at amortised cost		
Held-to-maturity investments	1,995,766	1,958,709
Loans and receivables (including cash and cash equivalents)	165,318	174,012
Available-for-sale financial assets	63,000	67,500
	2,224,084	**2,200,221**
Financial liabilities at amortised cost		
Other liabilities	**1,891,805**	**1,771,184**

32 FINANCIAL INSTRUMENTS (continued)

32.3 Financial risk management objectives

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

32.4 Market risk

The Corporation's activities expose it primarily to the financial risk of changes in foreign exchange rates (see 32.5 below) and interest rates (see 32.6) below. The risk of movements in foreign exchange rates is mitigated through:

- maintaining money market investments in currencies that match the foreign loan obligations
- maintaining foreign currency bank accounts to settle foreign currency obligations.

32.5 Foreign currency risk management

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

	Liabilities		Assets	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
United States Dollar denominated	103	-	-	194
Great Britain Pound denominated	-	-	-	175
Japanese Yen denominated	25,971	27,734	60,366	780,232
South African Rand denominated	63,476	15,980	30,254	496,929
Euro denominated	44,005	45,398	-	1,088
	133,555	**89,112**	**90,620**	**1,278,618**

32.5.1 Foreign currency sensitivity analysis

The following table shows the effect of a 5% devaluation in the Botswana Pula currency against major currencies. The amount is exact and opposite if the Botswana Pula currency strengthened against major currencies. This sensitivity analysis is based on the year end exposure to foreign currency risk.

	2009 P'000	2008 P'000
(Decrease)/increase in profit or loss for the year	**(2,147)**	**59,475**

32 FINANCIAL INSTRUMENTS(continued)

32.6 Interest rate risk management

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

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

32.6.1 Interest rate sensitivity analysis

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

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

	2009 P'000	**2008 P'000**
Profit for the year would increase/decrease by	361,270	241,292
Government grant would increase/decrease by	855,992	1,140,233

32.7 Credit risk management

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

The concentration of credit risk for trade accounts receivables is disclosed on note 18. The most significant credit risk concentration of other financial assets as disclosed is as follows:

	2009 P'000	**2008 P'000**
Barclays Bank of Botswana Limited	991,328	511,957
African Banking Corporation (Proprietary) Limited	160,947	229
Stanbic Bank Botswana Limited	442,784	468,017
First National Bank of Botswana Limited	102,949	864,337
Bank Gaborone (Proprietary) Limited	202,986	-
Total	**1,900,994**	**1,844,540**

32 FINANCIAL INSTRUMENTS(continued)

32.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Corporation's short, medium and long-term funding and liquidity management requirements. The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

32.8.1 Liquidity risk and interest tables

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

2009	**Interest rate**	**Up to 1 year P'000**	**2 to 5 years P'000**	**5+ years P'000**	**Total P'000**
Fixed interest rate		31,681	46,282	25,634	103,597
Variable interest rate		4,586	13,759	-	18,345
Non interest bearing		1,040,094	-	-	1,040,094
		1,077,241	**60,041**	**25,634**	**1,162,916**
2008					
Fixed interest rate		32,104	43,296	37,472	11,2872
Variable interest rate		4,586	18,345	-	22,931
Non interest bearing		930,396	-	-	930,396
		967,086	**61,461**	**37,472**	**1,066,199**

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

2009	**Interest rate**	**Up to 1 year**	**2 to 5 years**	**5+ years**	**Total**
Variable interest rate		324	-	3,000	3,324
Non interest bearing		149,968	-	-	149,968
Fixed interest rate		1,984,352	-	-	1,984,352
		2,134,644	**-**	**3,000**	**2,137,644**
2008					
Variable interest rate		5,526	-	3,000	8,526
Non interest bearing		154,529	-	-	154,529
Fixed interest rate		1,894,367	60,000	-	1,954,367
		2,054,422	**60,000**	**3,000**	**2,117,422**

32 FINANCIAL INSTRUMENTS (continued)

32.9 Liquidity risk management (continued)

The Corporation has access to financing facilities, of which the total unused amount is P20 million at the balance sheet date. The Corporation expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

32.10 Fair value

The Directors of the Corporation believe that all the carrrying amounts of all financial instruments approximate fair value. The fair value of these financial instruments is determined based on the accounting policy on financial instruments. The key assumption used is a market interest rate of 11% to discount the future cashflows on settlement of the Government loan.

33 CONTINGENT LIABILITIES

(a) The Corporation has guaranteed the obligation of certain employees under its motor vehicle and residential housing schemes in a total amount of

	2009 P'000	2008 P'000
	14,112	17,614

(b) Italswana Construction (Proprietary) Limited Vs the Corporation

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

(c) Public Liability

	P'000	P'000
Legal claims against the Corporation	1,036	5,700

		2009 P'000	2008 P'000
34	**RELATED PARTY BALANCES AND TRANSACTIONS**		
	Amounts due to:		
	Botswana Unified Revenue Service (Value added tax)	9,677	289
	Botswana Unified Revenue Service (Witholding Tax)	2,204	2,853
		11,881	**3,142**
	Remuneration of Executive Management was:		
	Salaries and other short term employee benefits	4,497	2,865
	Terminal benefits	121	503
		4,618	**3,368**

Amounts due from the Government of Botswana are disclosed in Note 18. Electricity sales to the Government during the year ended 31 March 2009 are disclosed as per Note 1. Borrowings from Government are disclosed in Note 24.

35 SUBSEQUENT EVENTS

Settlement of lawsuit

At year end a servitude compensation matter between Botswana Power Corporation and Phakalane Estates (Pty) Ltd had been adjudicated by a Board of Assessors. From this, compensation amounting to P3,338,931 plus interest thereon of P4,034,541 (total P7,373,472) was due and payable by the Corporation. This was duly provided for in the accounts. Other than this and 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.

Funding for Morupule B Project

The Corporation entered into an Export Credit Facility with the Industrial and Commercial Bank of China Limited in June 2009 to the amount of USD825,048,559.40. The purpose of the facility is to fund the Morupule B Power station and associated facilities.

36 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 commodity 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 resulted in an operating loss for the year of P376,430,000(2008: loss P85,767,000). 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.

37 GOING CONCERN

The Corporation has incurred a loss for the year of P133,623,000. The Board considers the financial sustainability of the Corporation in the medium to long term to be at a very serious level of risk and the viability of the Corporation is subject to the implementation of the revised end user electricity tariffs, the recovering of the Rural Collective Scheme and Standard Cost debit balances from the Government of the Republic of Botswana, as well as the continued financial support from the Government of the Republic of Botswana.

Customer Service Centres

BOTSWANA POWER CORPORATION
HEAD OFFICE: 3603000
Motlakase House
Macheng Way, Industrial Sites

P O Box 48, Gaborone.
Website: www.bpc.bw

Fax Line: 3973563/3908674
Faults: 3603483/3953541

Customer Service Centre: 3607000
Fax: 3607074

Bus Rank: 3164360
Fax: 3163806

Kagiso Centre: 3954019

Training School: 3906044
Fax: 3906057

FRANCISTOWN
P O Box 815, Francistown
Enquiries
Tel: (267) 2412794
Fax: (267) 2414534
Faults
Tel: (267) 2413939
Fax: (267) 2401026

GANTSI
Private Bag 017, Gantsi
Enquiries
Tel: (267) 6597088
Fax: (267) 6597308
Faults
Tel: (267) 6596693
Fax: (267) 6596695

JWANENG
P O Box 27, Jwaneng
Enquiries
Tel: (267) 5880480
Fax: (267) 5880722
Faults
Tel: (267) 5880251
Fax: (267) 5880913

KANYE
Private Bag MK9, Kanye
Tel: (267) 5480218
Fax: (267) 5480219
Faults
Tel: (267) 5480218
Fax: (267) 5480220

KASANE
P O Box, 207 Kasane
Tel: (267) 6250111
Fax: (267) 6250120
Faults
Tel: (267) 6250279
Fax: (267) 6250479

LOBATSE
P O Box 161, Lobatse
Enquiries
Tel: (267) 5330284
Fax: (267) 5332720
Faults
Tel: (267) 5330542
Fax: (267) 5332926

LETLHAKANE
Private Bag 23, Letlhakane
Enquiries
Tel: (267) 2978277
Fax: (267) 2978546
Faults
Tel: (267) 2978277
Fax: (267) 2978546

MAHALAPYE
P O Box 274, Mahalapye
Enquiries
Tel: (267) 4710118
Fax: (267) 4711089
Faults
Tel: (267) 4710446
Fax: (267) 4710735

MAUN
P O Box 295, Maun
Enquiries
Tel: (267) 6860324
Fax: (267) 6862939
Faults
Tel: (267) 6860324
Fax: (267) 6862555

MOCHUDI
P O Box 91, Mochudi
Enquiries
Tel: (267) 5728203/4
Fax: (267) 5728202
Faults
Tel: (267) 5729288
Fax: (267) 5728202

MOLEPOLOLE
Private Bag 0058, Molepolole
Tel: (267) 5921053
Fax: (267) 5920618
Faults
Tel: (267) 5921053
Fax: (267) 5920618

PALAPYE
P O Box 41, Palapye
Enquiries
Tel: (267) 4930500
Fax: (267) 4922133
Faults
Tel: (267) 4920338
Fax: (267) 4920545

MORUPULE POWER STATION
Private Bag 007, Palapye
Tel: (267) 4920200
Tel: (267) 4920378
Fax: (267) 4920494

SELIBE-PHIKWE
P O Box 170, Selibe-Phikwe
Enquiries
Tel: (267) 2610422
Fax: (267) 2615994
Faults
Tel: (267) 2610557
Fax: (267) 2611137

SEROWE
P O Box 1002, Serowe
Enquiries
Tel: (267) 4630372
Fax: (267) 4631152
Faults
Tel: (267) 4630372
Fax: (267) 4632154

TSABONG
Private Bag 0017, Tsabong
Enquiries
Tel: (267) 6540006
Tel: (267) 6540929
Fax: (267) 6540005
Faults
Tel: (267) 6540006
Fax: (267) 6540005

DISTRIBUTION SERVICE CENTRES

BOBONONG
P O Box 1514,Bobonong
Tel: (267) 2619417
Fax: (267) 2619308

CHARLESHILL
Private Bag 003, Charleshill
Tel: (267) 6592268
Tel: (267) 6592018
Fax: (267) 6592267

GUMARE
P O Box 278, Gumare
Tel: (267) 6874449
Tel: (267) 6874445
Fax: (267) 6874439

HUKUNTSI
P O Box 419, Hukuntsi
Tel: (267) 6510088
Tel: (267) 6510216
Fax: (267) 6510220

KANG
P O Box 335, Kang
Tel: (267) 6517299
Tel: (267) 6517301
Fax: (267) 6517300

LERALA
P O Box 53, Lerala
Tel: (267) 4954445
Fax: (267) 4954447

MASUNGA
P o Box 214, Masunga
Tel: (267) 2489339
Fax: (267) 2489372
Fax: (267) 2489746

NATA
Private Bag N005, Nata
Tel: (267) 6211456
Fax: (267) 6211457

RAMOTSWA
PO Box 10, Ramotswa
Tel: (267) 5390282
Fax: (267) 5390379

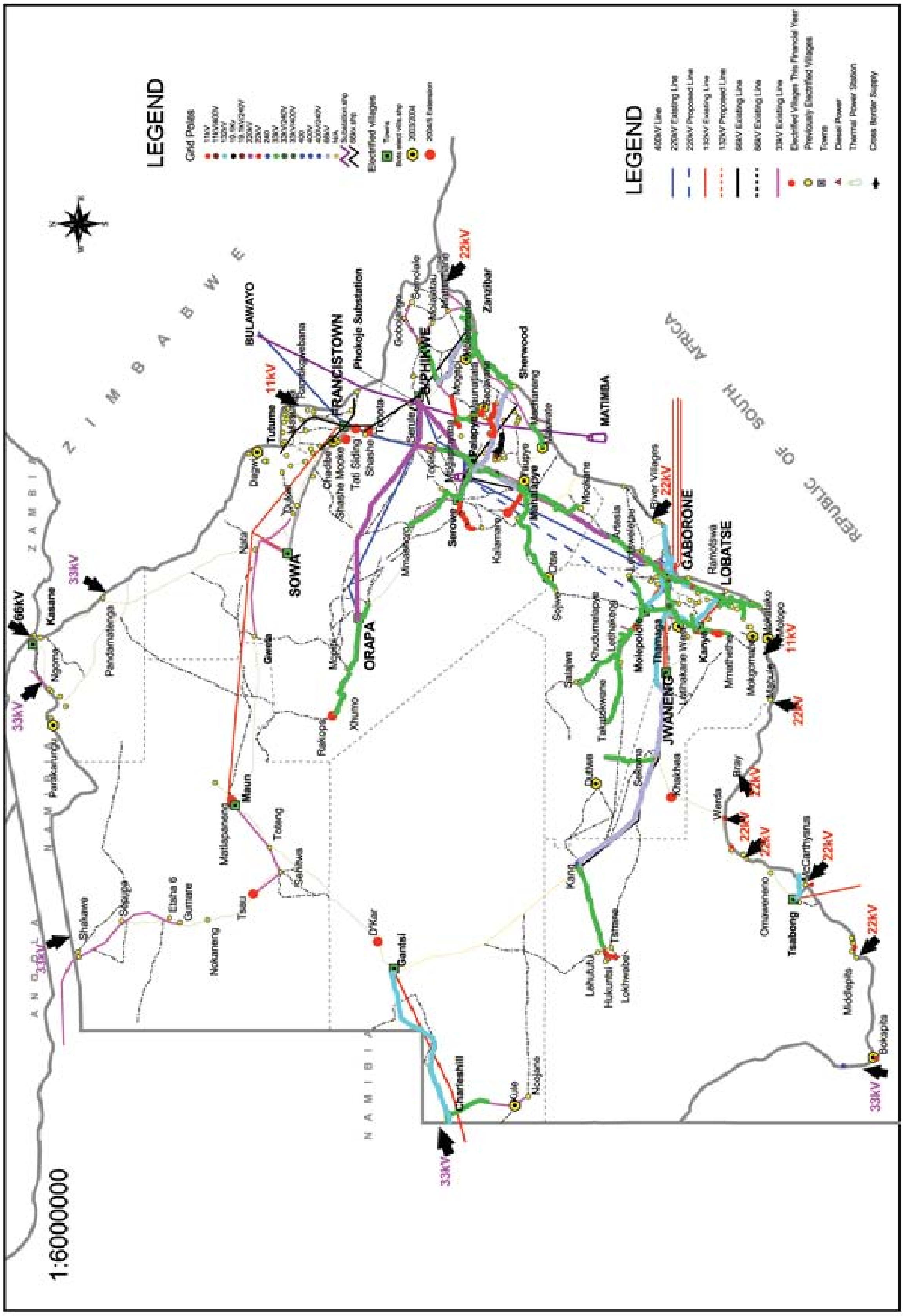
SHAKAWE
P O Box 379, Shakawe
Tel: (267) 6875013
Tel: (267) 6875072
Fax: (267) 6875071
Fax: (267) 6875124

SOWA
P/Bag 13, Sowa
Tel: (267) 6213390
Fax: (267) 6213390

TUTUME
P O Box 884, Tutume
Tel: (267) 2987817
Fax: (267) 2987814

WERDA
P O Box 221, Werda
Tel: (267) 6875013
Fax: (267) 6875071

National Electricity Grid of Botswana



'Save electricity, switch off all your unused lights, plugs and switches at all times'

Botswana Power Corporation

HEAD OFFICE, MOTLAKASE HOUSE, MACHENG WAY
P.O.Box 48
Gaborone
Botswana
Tel: (267) 360 3000
Fax; (267) 390 8674 / 397 3563