



BOTSWANA POWER CORPORATION

ANNUAL REPORT

SUSTAINABLE ENERGY
FOR THE FUTURE

2022



Key Business Terms & Ratios

Borrowings/Debt

All interest bearing liabilities.

Operating Profit

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

Total Liabilities

Non-current liabilities and current liabilities.

Current Ratio

Current assets divided by current liabilities.

Cost of Borrowing

Finance costs expressed as a percentage of average total debt.

Liquidity Ratio

Current assets less inventory divided by current liabilities.

Gearing Ratio

Total debt as a percentage of capital employed.

Gross Margin

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

Interest Coverage Ratio

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

Net Margin

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

Return on Property, Plant and Equipment

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

Earning to Irredeemable Capital

Net profit expressed as a percentage of irredeemable capital.

Return on Operating Assets

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

Return on Investments

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

System Losses

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

PPA

Power Purchase Agreement

SAPP

Southern African Power Pool.

Return on Total Average Assets Employed

Operating profit relative to its total average net assets. Earnings to irredeemable capital

Operating profit expressed as a percentage of irredeemable capital.

Operating Profit/Loss to Revenue

Operating profit or loss expressed as a percentage of revenue.

Return on Revalued Property, Plant and Equipment

Operating profit expressed as a percentage of property, plant and equipment.





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01. Overview

Our Business
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Our Business

Botswana Power Corporation (BPC) was formed in 1970 through an Act of Parliament and is responsible for the generation, transmission and distribution of electricity within Botswana to areas approved by the Ministry of Minerals and Energy. BPC is regulated by the Botswana Energy Regulating Authority (BERA). From April 2021, the Corporation implemented its five-year transformation strategy, MADUO 2026 whose objectives are to ensure that BPC becomes a financially self-sustaining entity which is a regional benchmark in electricity supply.

Theme

Our Maduo 26 strategy is synonymous with sustainability as the Corporation seeks to pursue sustainability through efficiency. It comes as no surprise therefore that 2022 theme is also dubbed "Sustainable Energy for the future".

Being cognisant of the changing energy market dynamics and transition to sustainable energy, BPC has fully embraced sustainability in its strategic planning hence the theme. The next five year strategy's is also focusing on increasing the renewables contribution in the country's energy mix. The Corporation is doing this by driving the country's integrated resource plan through facilitating inclusion of independent power producers and through its roof top solar programme.

In moving towards sustainable energy, the Corporation recognises the importance of remediation of Morupule B Power Station as the base load plant that will bridge the gap in the journey to achieving full sustainability. BPC is committed to doing business without compromising the ability of future generations to meet their own needs.



OUR VISION IS TO BE

"A REGIONAL BENCHMARK IN ELECTRICITY SUPPLY".
In realisation of the strategy, BPC will be a yardstick of being an employer of choice, a self-sufficient utility that supplies competitive and reliable power from diversified energy source which include renewable energy sources and with excess power to export.

OUR MISSION STATEMENT IS

"WE POWER THE ECONOMY WITH PRIDE BY SUPPLYING RELIABLE, SAFE, COMPETITIVE, AND SUSTAINABLE ELECTRICITY" It defines the reason of the Corporation and its strategic intent for the next five (5) years.

Core Values

Our core values that represent the attitudes, behaviors, and characters that will create an enabling environment for the successful execution of the strategy are;



Team Player - Working as a team and everyone sharing information.



People First - Valuing Employees, Customers & the Communities we serve.



Ethical Conduct - INTEGRITY, TRANSPARENCY AND FAIRNESS: Zero tolerance for stealing, accepting bribes and corruption.



Zero Harm - SHE: No person will be harmed by our operations; No equipment will be damaged; we will not degrade the environment. We will report unsafe acts and near misses.



Passion for Excellence - Operational Excellence, Results, Quality, Always Improving- Engaging in small group activities and Quality Circles,

The Corporation intent is to attain financial sustainability which will enable us to achieve most our goals without reliance on Government subsidy.

The priorities for the Strategy are to:

- Attain Financial Sustainability.
- Improve Asset Management.
- Improve the Employee Experience.
- Establish Project Execution Capabilities.
- Improve Operational Excellence.
- Achieve Zero Harm.
- Improve Corporate Image.
- Increase Generation Capacity.
- Increase renewable contribution in the energy mix.

The intent of the new Strategy is to put our people first, achieve zero harm, consistently and sustainably be profitable, improve customer experience, provide

affordable tariffs to our customers and generate excess power for export.

These will be realised through institutionalization of predictive maintenance, effective execution of projects, automation and digitalisation of operations, continuous improvement, innovation, a high-performance culture and becoming a regional benchmark in all facets of our business.

All these efforts will result in:

1. Reduced turnaround times for restoration of faults,
2. Shorter times for new connections,
3. Improved reliability of power supply, and
4. Service delivery through digital platforms. Maduo26 will bring about exceptional customer experience.

Value Added Statement

	2022 P'000	2021 P'000
VALUE CREATED		
Revenue	4,336,165	4,023,057
Consumer Tariff Subsidy	500,000	500,000
Other Income	71,825	324,785
Less Energy Inputs and Other Expenses	(3,787,935)	(3,054,374)
	1,120,055	1,793,468
Finance Income	14,344	14,581
TOTAL VALUE CREATED	1,134,399	1,808,049
VALUE DISTRIBUTED	1,030,192	1,536,792
Employees-Salaries and Benefits	743,309	645,893
Finance Costs to Lenders	129,278	141,578
Taxation to Government	157,605	749,321
VALUE RETAINED (DEVELOPMENT AND MAINTENANCE)	104,207	271,257
Depreciation	754,587	655,391
Net Profit/Loss	(650,380)	(384,134)
TOTAL VALUE DISTRIBUTED AND RETAINED	1,134,399	1,808,049
VALUE CREATED (P'000)		
Revenue per employee	2,081	1,924
Value Added per employee	544	944
Value Added per GWh generated	282	479

Operational Highlights

Total Revenue

▲ 8%

Increased by 8% to P4.336 billion in 2022 compared to P4.021 billion as at 2021.

Other Operating Income

▼ 79%

Stood at P71.825 million against P326.672 million recorded in 2021

Total Operating Expenditure

▼ 21%

Total operating expenditure of P5.316 billion in 2022 reflecting 21.4% decline from prior year P4.378 billion.

Tariff Subsidy

0%

Tariff subsidy remained the same as in 2021

Power Purchases

▲ 40%

Increased to P1.987 billion in 2022 from P1.417 million as in 2021.

Total Profit / Loss

▼ 69%

Recorded losses of P650.380 million compared to P384.134 million in 2021.

Current Assets

▼ 4%

Decreased from P1.522 in 2021 billion to P 1.463 billion to 2022.

Non-Current Assets

▲ 16%

Increased to P26.813 billion compared to P23.163 billion in 2021.

Non-Current Liabilities

▲ 3%

Increased to P8.267 billion against P7.993 billion registered as in 2021.

Current Liabilities

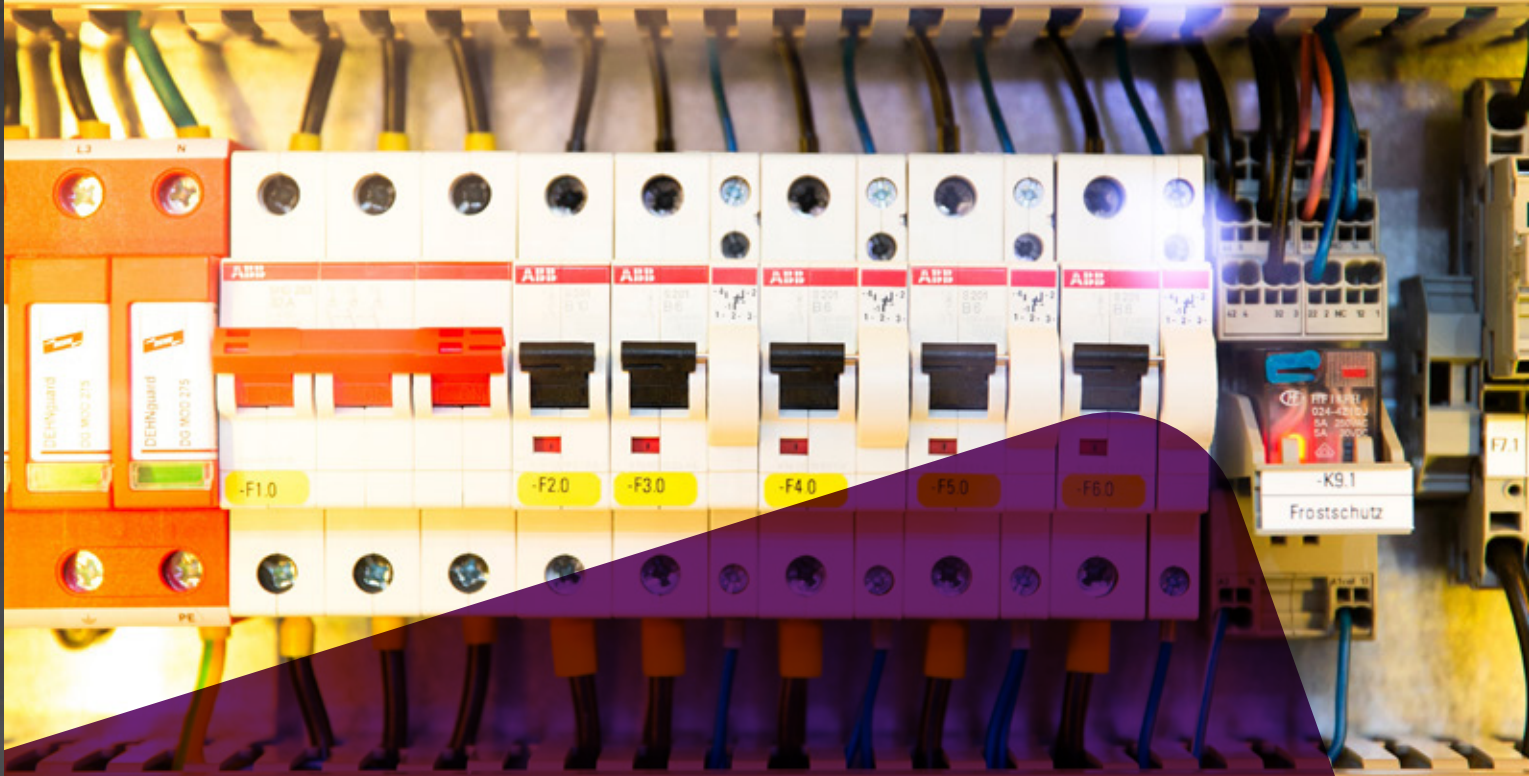
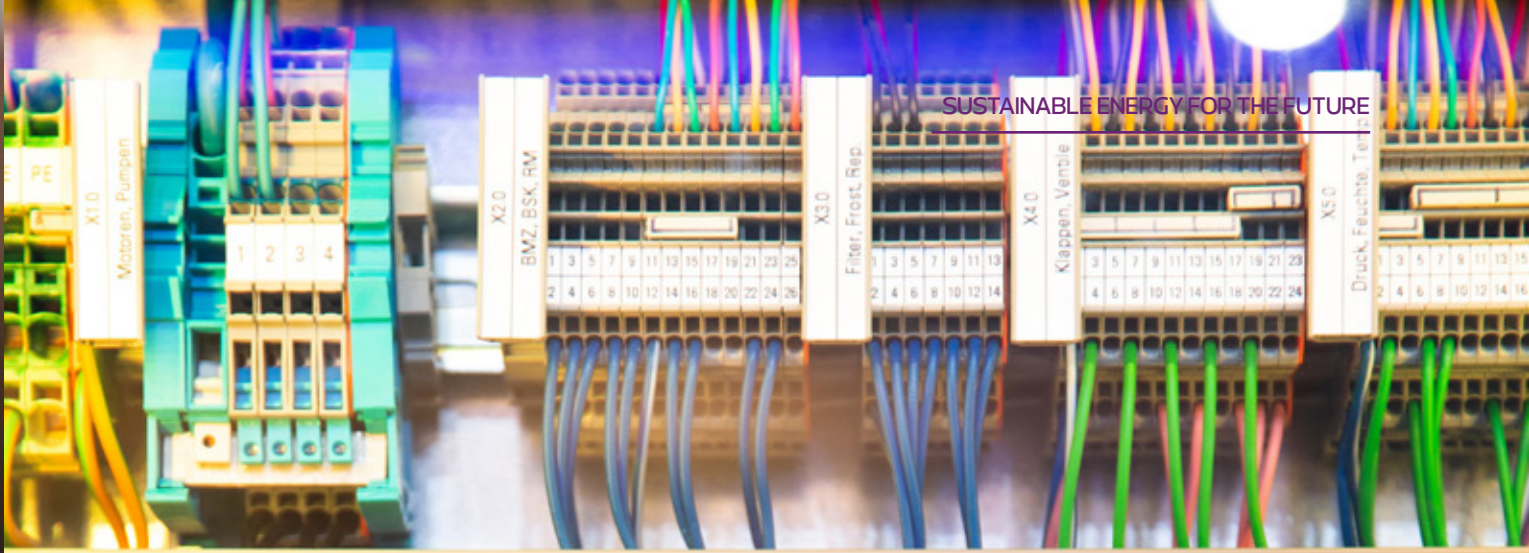
▲ 10%

Increased to P 4.899 billion compared to P4.434 billion in the prior year

Shareholder's Equity

▲ 23%

Increased to P 15.111 billion in 2022 from P12.259 billion in 2021.



Key Annual Statistics

for the year ended 31 March 2022

	2022	2021	2020	2019
Total unit sales (GWh)	3,404	3,201	3,321	3,294
Total generation (sent out) and imports	4,022	3,774	3,997	3,925
Staff Establishment	1,916	1,923	1,870	1,667
Total consumers	547,277	519,212	491,627	463,250
Plant capacity Morupule B (MW)	600	600	600	600
Plant capacity Morupule A (MW)	132	132	132	132
System maximum demand (MW)	627	626	561	587
Average selling price per unit (Thebe/kWh)	128	126	104	105
Average cost per unit (Thebe/kWh)	158	127	142	104
Operating Results (P'000)				
Total Revenue	4,338,244	4,023,057	3,398,553	3,363,144
Net Operating Expenses	5,386,276	4,053,905	4,710,445	3,435,165
Operating Profit/(loss) before Consumer Tariff Subsidy	(1,048,032)	(30,848)	(1,311,892)	(72,021)
Consumer Tariff Subsidy	500,000	500,000	600,000	800,000
Consumer Tariff Subsidy	(548,032)	469,152	(711,892)	727,979
Net Profit/(Loss)	(650,380)	(384,134)	(1,403,095)	201,921
Capitalisation (P'000)				
Long term debt	4,134,675	4,537,060	5,446,217	5,393,293
Net assets	15,111,307	12,258,638	10,540,175	10,784,690
Capital Expenditure and WIP	661,347	759,871	1,887,696	1,023,771
Electricity (GWh) Source				
Morupule A	548	672	425	27
Morupule B	1903	1637	1697	3200
Station usage	318	291	265	403
Emergency Generation	91	94	54	0
Sent out	2223	2112	1910	2824
Purchased	1798	1662	2087	1101
Total sent out and purchased	4022	3774	3997	3925
Sales disposition (GWh)				
Mining	734	596	640	669
Commercial	1107	1059	1167	1132
Domestic	1256	1226	1161	1091
Government	294	317	311	316
Southern African Power Pool	15	2	42	86
Total sales	3404	3201	3321	3294
Transmission and distribution Losses (GWh)	617	573	676	632
System losses (%)	15.35%	15.18%	16.91%	14.00%
Total consumers	547,277	519,212	491,627	463,250
	2022	2021	2020	2019
Sales growth (%)				
Mining	23%	(7%)	(4%)	(1%)
Commercial	4%	(9%)	3%	(1%)
Domestic	2%	6%	6%	2%
Government	(7%)	(2%)	(1%)	(1%)
Total sales (decline) growth	6%	(4%)	1%	(1%)
Earning ratios (%)				
Net margin	(15.0%)	(9.5%)	(41.3%)	6.0%
Earnings to irredeemable capital	(5.2%)	5.1%	(7.6%)	8.4%
Return on total average assets employed	(2.6%)	(1.6%)	(6.0%)	0.9%
Operating Profit/(loss) to revenue	(12.6%)	11.7%	(20.9%)	21.6%
Return on revalued Property, Plant and Equipment (%)	(2.4%)	2.2%	(3.4%)	3.8%

Key Annual Statistics

for the year ended 31 March 2022

2018	2017	2016	2015	2014	2013
3,336	3,349	3,479	3,495	3,449	3,310.1
3,844	3,928	4,043	4,024	3,704	3,762
1,946	2,106	2,117	1,964	1,922	1,977
434,795	410,409	386,024	367,003	343,050	315,699
600	600	600	600	600	-
132	132	132	132	132	132
549	586	595	610	572	578
94	84	82.1	72.5	65.5	60
99	126	139	129	104	109
2017	2016	2015	2014	2013	
3,009,561	2,768,846	2,857,161	2,533,578	2,260,196	1,984,200
3,308,743	4,207,982	4,851,042	4,519,671	3,586,058	3,606,721
(299,182)	(1,439,135)	(1,993,881)	(1,986,093)	(1,325,862)	(1,622,521)
1,457,000	1,667,500	2,321,360	2,326,800	1,488,000	871,000
1,157,818	228,365	327,479	340,707	162,138	(751,521)
674,108	-140,247	(99,613)	(274,905)	114,053	(1,254,836)
5,219,490	6,215,308	6,953,734	6,743,406	6,330,541	6,313,407
9,644,289	6,550,883	5,030,983	4,546,958	4,758,887	4,464,695
1,468,046	1,818,737	1,052,189	358,218	423,346	989,467
28	0	0	0	0	46
3399	2994	2604	2795	2038	714
428	374	326	410	292	91
5	11	86	64	175	112
3004	2631	2365	2449	1921	780
840	1297	1679	1575	1783	2981
3844	3928	4043	4024	3704	3762
676	837	1114	1194	1197	1128
1149	1107	1087	1059	1028	982
1065	1022	955	941	927	918
319	314	323	301	297	282
127	70	46	11		
3336	3349	3525	3506	3449	3310
509	579	564	529	255	452
14.89%	16.29%	15.18%	14.64%	7.47%	10.3%
434,795	410,409	386,024	367,003	343,050	315,699
2018	2017	2016	2015	2014	2013
(19%)	(25%)	(7%)	(0.2%)	6%	4%
4%	2%	3%	3%	5%	8%
4%	7%	2%	1%	1%	4%
2%	(3%)	7%	1%	5%	(13%)
0%	(4%)	0%	1%	4%	4%
22.4%	(5.1%)	(3.5%)	(10.9%)	5.0%	(63.2%)
14.7%	3.6%	7.0%	8.3%	4.0%	(20.3%)
3.2%	1.2%	1.8%	2.0%	1.0%	(4.6%)
38.5%	8.2%	11.5%	13.4%	7.2%	(37.9%)
6.2%	1.4%	2.1%	2.3%	1.1%	(4.6%)

02.

LEADERSHIP

Chairman's Review
Board Member Profiles
Chief Executive Officer's Review
Executive Management Profiles

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CHAIRMAN'S REVIEW

I am proud and honoured to present to our Shareholder and other strategic stakeholders, the Botswana Power Corporation (BPC) Annual Report for the year ended 31 March 2022.

This year marks the first year of the new five (5) year strategy Maduo26. The vision of the Corporation is to be "a regional benchmark in electricity supply". The Corporation shall do so by powering the economy with pride supplying reliable, safe, competitive, and sustainable electricity.

The 2022 financial year was characterised by various challenges as the impact of the Covid-19 pandemic was felt during this financial year. Notwithstanding the above, the Corporation remains a going concern with the full backing of the Ministry of Minerals and Energy (the Ministry/ Shareholder). Various initiatives have commenced which the Board believes shall achieve the objectives of the Maduo26 strategy.

CORPORATE GOVERNANCE

The Corporation is led by a new Board of Directors (the Board) that was appointed at the beginning of the financial year (1 April 2021). The Board, consisting of 9 directors, which is independent of Management, is made up of 8 independent non-executive directors and 1 non-executive director. The Board was appointed in terms of section 4 of the Botswana Power Corporation Act (the BPC Act). Seven (7) of the independent non-executive directors were appointed for 4 years commencing on 1 April 2021, whilst the remaining 2 directors, myself inclusive, were retained from the previous Board for succession and continuity purposes, from 1 April 2019 to 31 March 2023.

The new Board was swiftly inducted and subsequently trained on corporate governance, to enable them to provide strategic leadership to the Corporation. The Board aims to be upskilled on all issues related to governance, strategy and other specialised areas in order to understand and keep up with the dynamics within the energy industry. I am pleased to advise that various governance documents such as the Terms of Reference for the various sub-committees of the Board were reviewed and approved. The Terms of Reference and Board Charter shall be reviewed annually to enable the Board and its sub-committees to effectively exercise their mandates. The most pressing task for the Board was to review and approve the Strategy, aptly named Maduo26, to lead the organisation for the next five years (2021 – 2026). Despite the daunting task ahead of it, the Board has led the organisation amid challenges, consisting of both emerging risks and legacy issues. The Board is confident that under its leadership the Corporation shall transform and produce the results required under the Maduo26 strategy.

STRATEGIC OVERVIEW

Maduo26 is underpinned by various pillars including but not limited to achieving the following: reliable power supply, superior customer experience, high commercial returns, high-performance culture and Safety, Health and Environment first. In order to achieve the above by 31 March 2026 the Corporation has embarked on the following key strategic initiatives, which were still in progress as of 31 March 2022:

Financial initiatives: increasing internal prepaid electricity selling platforms; Implementation of Automated Meter Reading and Advanced Metering Infrastructure – Smart Metering and Hedging Power Forex Contracts.

Customer and Stakeholder initiatives: Annual Customer Satisfaction Surveys; promotion of Digital Self-Service platforms; development of a responsive website with CRM systems; Re-engineering of connection process; Infrastructure development; Implementation of the Distribution SCADA rollout; Implementation of the Contact Centre Customer Experience (CRM) solution; Implementation of the Insourcing / Outsourcing Strategy; Customer Energy Usage Management; Improving Citizen Participation and reservation of the third party vending services to citizen owned companies.

Internal Processes initiatives: MBPS Defects Remedial Works Project; Secure Power Purchase Agreements with IPPs through the Integrated Resource Plan Implementation; Conversion of Orapa 90MW to Gas; Decommissioning of Matshelegabedi 70MW; Develop and roll out BPM Framework (Process Mapping & Improvement); Deploy BPM software/ application; establishing a project management office and establishing and running a continuous Auditing Programme, compliance with King IV Governance Code; successful negotiation, approval and signature of power purchase agreements.

Learning and growth initiatives: develop and consolidate the Digital Strategy & Road Map (Smart Grid, Generation, Cyber Security, etc.); Implement the integrated Digital Strategy (ERP, Smart Grid, Customer Experience, Smart Generation); development and approval of an Innovation Policy; Employee capacity building - Leadership Development; develop Attraction and Retention Strategy; expedite implementation of Succession Planning; Review of Policies, Job evaluation and grading.

SHER initiatives: Successful review of the SHE manual to align to ISO 14001& 45001; Implement Safety campaigns to improve SHE culture (Near hit, save a finger, competitions etc); Energy Efficiency Management; Enhance environmental monitoring initiatives to reduce pollution; implementation of structured SHE internal audits to assess compliance to the standards.

The new strategy is ambitious and forward-looking, and the Board is confident that the Corporation can achieve the results required to bring the much-needed transformation so that we can turn the vision of being a regional benchmark in electricity supply into reality.

OPERATIONAL PERFORMANCE

The Corporation has improved in terms of its operational performance despite the impact of post-Covid 19 pandemic challenges. At the beginning of the financial year, there were supply chain logistics challenges impacting the delivery of critical goods and services required by the Corporation. However, as movement restrictions were lifted, the Corporation was able to implement key strategic projects such as the Morupule B Power Station (MBPS) remediation project which is critical to achieving the goal of being the regional benchmark in respect of electricity supply. During the course of the remediation project, the Corporation was compelled to continue to import power to augment the power required by the nation during the period. The Corporation accordingly reported a loss, attributable in large part to the power imports. As of 31 March 2022, the Corporation had an accumulated loss

of P6,281,926,000 (2021: P5,631,546,000) and as of that date, the Corporation's current liabilities exceeded its current assets by P3,435,354,000 (2021: 2,991,672,000).

The financial position as of the end of March 2022 was less than ideal, however, such loss will be mitigated in the long run through the initiatives that are in place to improve the Corporation's financial performance to ensure that there is reliable power supply from BPC's internal generating capacity along with varied sources of supply (five (5) Power Purchase Agreements (PPAs) for the small scale grid-tied projects were signed with IPPs to procure power from solar power plants and one (1) PPA was signed to procure power to be produced by a Coal Bed Methane (CBM) plant based in the Central District). Notwithstanding the loss at the end of the financial year, the Corporation has been determined to be a going concern as it remains duly supported by its sole Shareholder.

CULTURE

The Corporation can only achieve its ambitious goals through the efforts of the employees. Accordingly, one of the core values adopted is that the organisation must put its 'People first'. In pursuance of the above, the Corporation has implemented various initiatives to inculcate a high-performance culture. This is coupled with the implementation of a digital strategy and policies to achieve the same. We are confident that the steps taken shall inculcate the high-performance culture required to achieve Maduo26.

A big part of the Corporation's culture involves being a good Corporate Citizen. To achieve this objective the Corporation continues to support various initiatives, in line with the Corporate Social Responsibility Policy, in order to impact and improve the community and the environment that it operates within.

CITIZEN ECONOMIC EMPOWERMENT

The Corporation continues to play a key role in empowering citizen-owned companies through the issuance of tenders to enable the participation and impartation of skills to Batswana. As part of the Corporation's deliberate step to empower Batswana in respect of this unique

energy industry, all renewable energy projects required bidders to outsource at least 70% of operations and maintenance work to citizen contractors. In addition, for the 50MW projects, the Corporation requires bidders to ensure that equity of at least 40% is transferred to Batswana-owned companies/ shareholders on or before the fifth anniversary of the Commercial Operation Date. The Corporation shall continue to support and prioritize the empowerment of citizen-owned companies to enable the latter to provide services and supply and delivery with the specialised equipment, goods and tools required by the Corporation.

APPRECIATION

I would like to thank the Shareholder for entrusting growth of Botswana through the provision of reliable electricity. The Corporation is central to the country's economic agenda as electricity is required by most if not all industries and businesses within the country. The Corporation is actively supporting the Government's Integrated Resource Plan (IRP) as more PPAs are signed and implemented as envisaged by the said plan, thus contributing to the energy mix that is required to continue powering the economy.

On behalf of the BPC Board of Directors, I wish to offer my gratitude to Management and employees for their contribution during the year. The Board is confident that the efforts of all stakeholders shall enable the Corporation to achieve the objectives of Maduo26, thus developing into a beacon of excellence in the region.



Professor Oboetswe Motsamai
BOARD CHAIRPERSON

BOARD MEMBERS' PROFILES

COMPOSITION

The Minister of Minerals and Energy appoints Botswana Power Corporation (BPC) Board Members and charges the Board with the responsibility of setting the direction of the Corporation's affairs.

BPC has a unitary board structure, where the Board is comprised of exclusively non-executive members; the BPC Board is currently composed of nine (9) non-executive members and a non-executive Board Chairperson, in accordance with the BPC Act. This board structure ascertains that the Board maintains a high level of objectivity and independence in Board deliberations and resolutions.

Conforming to the dictates of the King IV Code of Governance for South Africa, which is accepted by the Corporation as a sound and robust benchmark for best corporate governance practice, the roles of Board Chairperson and the Chief Executive Officer are separate, with a clear role distinction and division of duties.

The Board members are experts in various fields including engineering, project management and finance. This ensures that the strategic direction provided by the Board to the Corporation is diverse, knowledgeable, vigorous and sound.

Board Members' Profiles



Professor Oboetswe Motsamai
BOARD CHAIRPERSON

Professor Motsamai is a Mechanical and Aeronautical Engineering Professor at the University of Botswana, Department of Mechanical Engineering.

Professor Motsamai graduated with a BEng. in Mechanical Engineering from the University of Botswana in 1996 and holds a MSc. degree in Thermal Power and Fluids Engineering from the University of Manchester Institute of Science and Technology (UMIST).

He received a PhD in Mechanical and Aeronautical Engineering from the University of Pretoria in 2008 and got a Golden Key International Award for excellence in research.

He started his career in engineering with Kentz Botswana, and later worked for G4 Consulting Engineers, before joining UB.

He has served the University of Botswana in many high-level committees, that is: HOD, SENATE and FAPRAC. He also served in the Advisory Board for Botswana College of Engineering and Technology.

He served the Government of Botswana in various committees and assignments and has also previously assisted CEDA, LEA and other companies in engineering related projects.

Board Members' Profiles continued



Pelaelo Khowe
BOARD MEMBER

Mr. Khowe is currently the Financial Advisor under the Coal Development Unit, Ministry of Minerals and Energy. He is responsible for the management of finances of Ministerial mega projects; advising on financial data and consequences of business decisions; advising on policy issues relating to finances and Ministerial budget; and provides guidance on financial models to be used.

He previously amassed his experience from Botswana Meat Commission as a Group Management Accountant; Technoserve Botswana as Head of Finance and Administration; Botswana National Youth Council as Director of Finance and Admin; LEA as Financial advisor; and UPENN Partnership in various leadership roles.

Mr. Khowe holds a Master of Business Administration and is a fellow certified Chartered Accountant.

He is a registered member of the Botswana Institute of Bankers.



Moreri Sebonego
BOARD MEMBER

Mr. Sebonego is a seasoned Attorney with over twenty (20) years of experience. He is currently a Partner at Busang Sebonego & Co Attorneys.

He graduated with a Bachelor of Laws degree from the University of Botswana in 1997 and gained experience from Lesetedi and Company Attorneys; Seretse Attorneys; Moupo Motswagole and Dingake Attorneys; Matlho Attorneys; and subsequently Botswana Housing Corporation before he eventually settled at Busang Sebonego & Co Attorneys in 2003.

Mr. Sebonego is a member of the Law Society of Botswana, and a member of the South African Black Lawyers Association.

Board Members' Profiles continued



Robert Akanyang
BOARD MEMBER

Mr. Akanyang is a Quantity Surveyor who graduated in 1997 from the University of Reading, UK, with a Bachelor of Science degree.

He has over twenty (20) years of experience in the quantity surveying market.

He amassed his experience as a Quantity Surveyor within the mining industry, having worked in projects with industry giants such as Debswana Diamond Company. He has been involved in projects dealing with education; retail; commercial; health; residential housing; industrial; religious; and tourism sectors, having begun in 1999.

With regard to his professional affiliations, he is a member of QSRC: Professional Quantity Surveyor-PrQS (BW) 0002; the Royal Institute of Chartered Surveyors; the Association of South African Quantity Surveyors; Institute of Botswana Quantity Surveyors; and Botswana Institute of Development Professional.

Mr. Akanyang has held the Chairperson position of the Institute of Botswana Quantity Surveyors and was an executive member of the Association of African Quantity Surveyors.

He is currently the founding Director of Akanyang Skinner Associates (Pty) Ltd, a registered Company that provides quantity surveying services.



Lilly Sullivan
BOARD MEMBER

Ms. Sullivan is an ICT professional with over twenty-five (25) years of experience in the Telecoms industry, fourteen (14) of which she has spent at Senior/ Executive Management Level.

She holds a Master of Business Administration from the University of Warwick, UK.

She has qualifications in BTEC HND Electronics and Communications Engineering from Cable and Wireless College, UK; Advanced Risk Management from the University of Cape Town, South Africa; and Executive Development Program, Wits Business School, South Africa.

Ms. Sullivan has held the position of Vice Chairperson at HRDC in the ICT sub-committee, and her professional memberships include Information Systems Audit and Control Association, and Business Continuity Institute.

She is currently in the employ of Mascom Wireless since 2009, and currently holds the position of Chief Information Officer.

Board Members' Profiles continued



Moleko Majaha
BOARD MEMBER

Mr. Majaha is an Engineer with over twenty (20) years of experience in the field.

He currently holds the position of Head of Engineering and Asset Management at Debswana Diamond Company and has worked for the same company since 1994.

Mr. Majaha graduated with a B.Eng Mechanical (Honours) from Coventry University, UK, in 1994 and he holds a qualification in Project Management Professional (PMP) from the Project Management Institute.



Phodiso Valashia
BOARD MEMBER

Mr. Valashia is a widely experienced executive management officer and trade facilitation and customs expert, with over twenty (20) years of experience.

He holds a Master of Customs Administration and Law from the Munster University, Germany, and a Bachelor of Arts (Economics) degree from the University of Botswana.

Mr. Valashia sits as a Board Member of the Botswana Competition Authority and has since 2012 sat as a member of the Botswana Unified Revenue Service (BURS) Executive Committee.

Mr. Valashia is currently the Commissioner of Operations at BURS and is, inter alia, responsible for all tax and customs operations of the Organization.

Board Members' Profiles continued



Mothusi Obateng
BOARD MEMBER

Mr. Obateng holds a Bachelor of Accountancy degree from the University Botswana and has amassed his professional experience from various industry giants such as First National Bank of Botswana (FNBB), and PricewaterhouseCoopers.

He is currently employed at Access Bank as the Money Laundering Reporting Manager. During his tenure at FNBB, his previous employer, he was an AML Specialist Manager and worked there from 2015 to 2020.

He also worked as Principal Anti-Corruption Officer at DCEC from 2008 to 2015; Internal Auditor at Botswana Postal Services from 2006 to 2008; and External auditor at PricewaterhouseCoopers from 2003 to 2006.

Mr. Obateng is a member of the Botswana Institute of Chartered Accountants.



Cheryl Rabashwa
BOARD MEMBER

Ms. Rabashwa is a Human Resources professional with 15 years of experience in mining and financial services industry environments.

She holds a Diploma in Business Administration in Human Resources Management from the Cambrian College, Canada. She subsequently gained her experience from Debswana Diamond Company where she eventually worked as Chief Industrial Relations Officer.

She also amassed her experience from FNBB where she eventually worked as Senior Compliance Officer and later worked as Senior Key Accountant Manager at PricewaterhouseCoopers.

Ms. Rabashwa is currently an Associate Consultant at People Facts (Pty) Ltd, an emerging remuneration and human capital consulting company.



CHIEF EXECUTIVE OFFICER'S REVIEW





CEO'S REVIEW

I am delighted to present the Botswana Power Corporation's (BPC) annual performance report for the year ended 31 March 2022. This year marks the dawn of our new 5-year strategy dubbed "Maduo 26".

Chief Executive Officer's Review continued

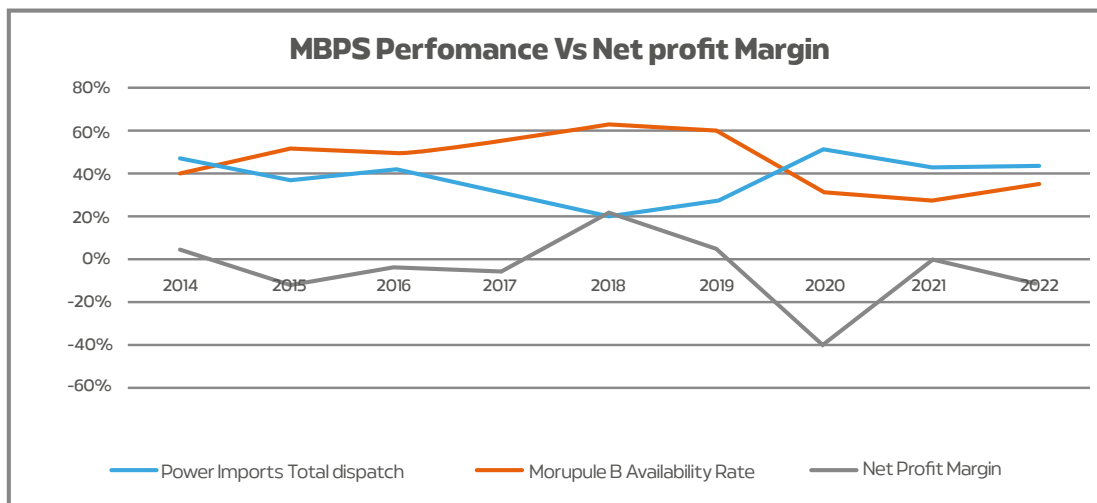
The strategy was facilitated through a collaborative process with key stakeholders to usher BPC into a new and exciting era of achieving "a regional benchmark of electricity supply status". Despite various challenges, BPC has been the enabler and cogwheel of Botswana's economy for over 50 years. In pursuit of the same mandate, the Corporation has consistently provided uninterrupted electricity without load shedding during the course of the year albeit at a high cost. Our journey to internal energy generation showed positive signs of fruition during the year as the first part of Morupule B Power Plant remediation was at an advanced stage at year end. Furthermore, we made significant strides in laying the foundation of green energy trajectory in line with the national integrated resource plan through signing of several power purchase agreement with independent solar power producer scheduled to start operations in Botswana.

P326.672 million in the prior year. This is largely due to the extraordinary income from the settlement of the Delayed Damages claim from Morupule A Power Station refurbishment project recorded in prior year.

Total Operating Expenditure for the year was P5.316 billion compared to P 4.378 billion in the prior year, reflecting a 21% increase (938 million) compared to 2021. This can be attributed to higher power import cost owing to low performance of generation fleet. The Total loss after tax recorded for the year, was P 650 million compared to the P384 billion loss after tax in 2021.

The Total Non-Current Assets net of depreciation increased by 16% (P3.650 billion) to P 26.813 billion (P 23.163 billion in 2021), mainly attributable to:

- P661 million with Additions during the year consisting



FINANCIAL HIGHLIGHTS

Due to the defects and the resultant low performance of Morupule B, the Corporation's financial performance remains vulnerable on account of MBPS whose was at 33% during the year. Consequently, the Corporation was obliged to source more costly power imports during the year to meet demand. Henceforth, BPC recorded an operating loss of P408 million compared to profit of P469 million in prior year.

In the year under review, the total revenue increased by 8% to P4.336 billion, compared to P4.021 billion as at 31 March 2021. The increase in revenue was mainly attributable to the 3% tariff adjustment awarded for the year under review as well as increase in demand largely from the Mining sector. Other Operating Income which incorporates profit from the sale of material to Distribution Works Contractors, Consumer Financed Projects recoveries, and export of electricity through the Southern African Power Pool (SAPP) stood at P71.825 million recording an decrease of 78% from

mainly of work in progress for the Northwest Transmission Grid Connection Project;

- P 3.585 billion generation, building, transmission and assets revaluation adjustment due to a significant increase in the market value of non-ferrous metals like copper and aluminium which form a significant part of our electrical assets; and
- An increase in the value of the derivative instrument from P438 million to P637 million. The hedge remained favourable to BPC as it was in the asset position.

The Current Assets decreased by 4% from P 1.522 billion to P 1.463 billion for the year under review largely due to depletion of cash due to high expenditure. The Capital and Reserve (Shareholder's equity) was reported at P 15.111 billion, against P 12.258 billion recorded in the prior year, reflecting an improvement of 23 % (P 2.852 billion) from the prior year's position. Non-current liabilities increased by 3% (P 273.663 million) to close the year at

Chief Executive Officer's Review continued

P 8.266 billion against P 7.993 billion recorded in the prior year. This increase is attributable to increased deferred tax liability arising from write off of deferred tax assets. Current Liabilities recorded a increase of 10 % (P464.507 million) to P4.898 billion compared to P 4.434 billion in the prior year. This largely as a result of lower financial performance during the year under review.

KEY PROJECTS

The Corporation together with the Government of Botswana is undertaking several key projects to ensure power security for the nation of Botswana:

Morupule B Power Station remedial works

During the year the Corporation made strides in Morupule B Power Station remediation project which commenced in June 2019 to fix construction and equipment defects. The project was further delayed by movement restriction culminating from Covid 19 in 2020. The remediation plan will be done in 4 phases to fix all the 150MW units at MBPS. At the end of the financial year, Unit 4

Northwest Transmission Grid Connection Project (NWTGC)

Funded by Government of Botswana at the tune of P2.355 billion to enable the extension of the country's high voltage transmission grid from Morupule in Palapye to Maun, Shakawe and Ghanzi via Orapa. The project commenced in January 2019. As at 31 March 2022, the overall progress of this project was at 95% . With the larger part of the project commissioned, it now largely provides firm grid supply to the North West part of the country, facilitating to unlock the potential for economic development, notably in mining and agricultural developments. The remaining package from Legotlhwane to Ghanzi (220kV) is currently in progress and is expected to be completed by the end of June 2022. This project will also definitely reduce reliance on cross border supply from Namibia in Ghanzi and Shakawe.

Transmission and Distribution Network

The Corporation has embarked on a distribution network rehabilitation project which entails a phased reinforcement and refurbishment of the distribution network over the next three years. Upon completion, we expect to experience reduced faults in the system as well as a reliable and continuous power supply to the customer.

The Corporation has also prioritised the reinforcement of the transmission grid in the Southern part of the country after realising the increasing demand for electricity due to the growing economic activities. This involves the upgrading of Mochudi, Tlokweng and Gaborone South infrastructure to expand the network capacity in these areas. All the three projects are expected to be all complete by first half of next financial year.

Rural Electrification Programme

Increasing access to electricity to the general public is being achieved through the Rural Electrification

Programme thus playing a crucial role in the development of villages in Botswana. This programme is wholly funded by the Government of Botswana. The electrification of 116 villages which got underway in October 2018 were fully completed in 2022. In February 2022, the Corporation embarked on a new programme involving 5 new villages and 35 network extensions. Planned completion date for these is December 2022.

Renewable Energy Projects

In line with Maduo 26 strategy the Corporation renewable energy programme covered critical milestone towards achievement of a green energy mix. BPC has signed five Power Purchase Agreements (PPA) for smaller solar PV projects with start of construction of Bobonong and Shakawe plants during the year. Commercial operation for all the five projects is expected before end of calendar year 2023. BPC has awarded a 50MW solar project to be built at Selebi Phikwe and the PPA signing is anticipated within 10 months for the signing date. BPC is also in the process of procuring investors for another 50MW solar plant to be built in Jwaneng. Furthermore, the Corporation continued to receive applications from commercial, industrial and domestic customers for rooftop solar programme which will take up to 10 MW of which all the projects will be commissioned in the next financial year.

SAFETY, HEALTH, ENVIRONMENT, AND RISK

Botswana Power Corporation prides itself in being committed to upholding and safeguarding the safety of its employees; and the protection of the biophysical environment. In line with Maduo 2026 transformation strategy, BPC has adopted the "Zero Harm value" to demonstrate commitment to the implementation of effective SHER programmes. The Corporation's stance on SHER issues is simply that any harm is unacceptable and believe that workplace injuries, illnesses, damage to property and harm to the environment are preventable. Our Zero Harm is non-negotiable.

The Corporation needs to embrace, actualize, and continuously improve its process to deliver services that do not harm any life and the environment. The Corporation adheres to statutory hygiene standards, and resources are devoted to maintaining the same.

During 2022, BPC recorded two (2) public fatalities, 15 Lost time injuries, 4 restricted work injuries and 19 medical treatment injuries. In addition, worryingly 92 property damage incidents were recorded. The Corporation, therefore, ended the year with an Lost Time Injury Frequency Rate (LTIFR) of 0.32 against a target of 0.45 and a TIFR of 0.82 against a target of 0.95 as a result of the above incidents. Several efforts are being made to reverse this performance. This includes adopting single integrated management system based on the International Standards Organization (ISO) Standards and conducting visible felt leadership audits whereby executive management assure employee of management's commitment to safety.

Chief Executive Officer's Review continued

Environmental Performance

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

BPC has a Vegetation Management Plan that offers a guideline on proper management of vegetation along powerline servitudes. Management of vegetation within powerline servitudes in a sustainable manner requires knowledge of the various vegetation biomes, eco-regions and protected species found within Botswana. The Corporation has also embarked on rehabilitation of oil contaminated soil at various areas where there is need for such. The workforce has been and continues to be encouraged to remain proactive in safeguarding the integrity of the environment. During the year, Registration of plant stacks with the Department of Waste Management and Pollution Control and the salvage yard was undertaken and the company is awaiting feedback after the audit by the department.

To mitigate harmful emissions from our coal generation fleet, we use Sodium Bicarbonate and Limestone. We also use bag filters at the Flue Gas Desulphurisation (FGD) plants and Electrostatic precipitator (ESP). Ambient air quality monitoring is being done at MAPS and MBPS. Enterprise Risk Management.

The Corporation's risk management philosophy and framework are based on the ISO 31000: 2018 Risk Management Principles and Guidelines Standard. The responsibility to identify, evaluate and manage risks thus lies with all employees. Moreover, the Executive Committee operates within the organization's Risk Management Framework to manage risks within their designated roles. The Risk Management Framework also defines the oversight responsibilities of the Board's Audit and Risk Management Committee and the Executive Committee. These are supported by the central support functions of the Corporate Risk and the Internal Audit sections, to enable effective identification, evaluation, and management of risk throughout the business.

The Corporation is exposed to a variety of risks seen as either threats or opportunities that can affect the organisation's performance and reputation. Therefore, Enterprise Risk Management plays an integral part in value-creation through decision-making, setting and achieving organisational objectives, as well as improving performance.

In order to thrive, the Corporation's risk profile is monitored continuously by Internal Audit with oversight by the Board. This is meant to ensure that value is created, and strategic objectives are achieved. The new strategy focuses on governance to ensure that all strategic risks are tracked and mitigated as well as taking opportunities presented by such risks. Management is tasked with ensuring that risk management is effective.

HUMAN CAPITAL

One of the prime strategic objectives of Maduo 26 is to improve employee experience by inculcating a high-performance culture that encourages innovation and operational excellence. This will be done through adequate resourcing levels, continuous improvement and improving employee value proposition. Sufficient resources will continuously be invested towards staff training and development to transform the Corporation into a high-performance organization. Talent management and succession planning is key to the Corporation and as such an enhanced succession planning policy has been approved.

The approved establishment for the Financial Year 2021/22 was 2143 and the head count was 1910 as of 31st March 2022.

COVID-19 Corporate Response

In order to continuously mitigate the business risks culminated by the advent of Covid-19, the Corporation has developed and continued to implement policies, workplace protocols, and emergency response plans with detailed risk mitigation strategies and associated measures. The Corporation has recorded a cumulative 948 COVID-19 cases, 946 of these cases are recoveries with only one loss of life recorded during the year. The Corporation has promoted the COVID-19 vaccination program while the Morupule clinic administered these vaccines inhouse.

Collaboration and Strategic Partnerships

The Corporation has entered into several strategic partnership with several institutions including the latest being the Francistown College of Vocational and Technical Education (FCTVE). The primary objective of this partnership is to orientate the learning and teaching Institution's curricula and research activities towards the needs of the energy industry. In addition, the partnership permits BPC to use FCTVE premises to construct a Training Yard for purposes of training employees in the northern part of the country. The Linesman training site was launched with 16 trainees undergoing training of which 3 were from FCTVE, 9 from BPC and 4 from independent contractors.

Industrial Relations

In pursuit of excellence particularly in a heavily unionised environment, BPC has prioritised improving industrial relations during the year under review. BPC has a Collective Labour Agreement with Botswana Power Corporation Worker's Union (BPCWU). During the year local branches of management and union engagements were resuscitated. As a key stakeholder BPCWU was also key in crafting of Maduo 26 strategy.

Development and Careers

Learning and Development continues to be an integral part of the Botswana Power Corporation's organisational strategic agenda. During the 2022, the Corporation enrolled close to 200 employees on short-term competency development programmes to enhance service delivery in an endeavour to realise a high-performance culture.

Chief Executive Officer's Review continued



CORPORATE SOCIAL RESPONSIBILITY

Sustainability is top of BPC's Maduo 26 strategic priorities. During the course of the year, BPC, through its Marketing and Communication department implemented several sustainability and social responsibility programmes to leave a lasting legacy and to alleviate the challenges faced by the communities we serve.

As the national electricity supply utility, the Corporation is desirous of being recognised as a strong national brand and a good Corporate Citizen. This can only be achieved through service levels that are upgraded to levels that fulfil customers' expectations. In addition, the Corporation needs to implement defined sustainability programmes that will uplift its image and reputation.

The Corporation continues to be a responsible corporate citizen collaborating with and sponsoring community-based organisations across the country to leave a legacy and to alleviate the challenges faced by the communities we serve. In the year under review, the Corporate Social Investment (CSI) and community outreach footprint focused on improving basic education and health and wellness.

THE OUTLOOK

With the advent of Maduo 26, we look forward to exciting times where we are determined to deliver sustainable energy in line with Botswana Integrated Resource plan. Our implementation of diversified energy sources including renewable energy sources will give us leverage to be a net power exporter regionally. Our vertically integrated business model will make us resilient against transition risk and our network is also strategically placed in the region to enable us to support a rich line up of diversified upcoming energy generation projects as per the Integrated Resource Plan. We look forward to running an independent business with less or no support from the shareholder due to these prospects ultimately creating sustainable shareholder value.

THANK YOU

I would like to thank BPC's Board of Directors for their support particularly in crafting and approving Maduo 26. Furthermore, the Board approved the Morupule B turnaround strategy of which its implementation has started to bear fruit. I would like to extend my gratitude also to the BPC Management team and all members of staff who were also committed to see us pull through yet another challenging year.

David Kgoboko
CHIEF EXECUTIVE OFFICER

EXECUTIVE MANAGEMENT PROFILES

Executive Management Profiles



David S. Kgoboko
Chief Executive Officer

Mr. David Kgoboko joined Botswana Power Corporation (BPC) on February 1st, 2021. He brings over 20 years of experience in the Mining and Engineering Industry as a qualified Engineer.

Mr. Kgoboko has played a pivotal role in driving the BPC's Maduo26 Strategy. Under his dynamic leadership, BPC has achieved remarkable turnarounds in crucial areas of power generation, Safety, Health, Environment (SHE), internal controls, customer experience, and service delivery times.

He is orchestrating a rapid and comprehensive transformation of BPC's operations which is positively creating a safer and more sustainable operational environment. Mr. Kgoboko's strategic interventions have contributed to increased efficiency and effectiveness within BPC's generation capabilities and measures aimed at increasing renewables in the energy mix.

He is known for his ability to inspire and motivate teams to achieve exceptional results. His open communication style fosters collaboration, innovation, and a shared sense of purpose among employees. Through his clear strategic

direction and inclusive decision-making, he has cultivated an environment of empowerment and accountability within BPC.

He previously worked at Morupule Coal Mine (MCM) where notably progressed through the ranks to become General Manager. His visionary leadership expanded MCM's market presence across several countries, securing coal markets in Turkey, South Africa, Zimbabwe, Zambia, and Namibia. Under his guidance, MCM achieved an outstanding safety record spanning 13 consecutive years without accidents, acknowledged by the Botswana Chamber of Mines. He led MCM to be the first African organization certified with ISO55001, a global Asset Management standard.

Educationally, he holds a Bachelor of Science Degree in Mining Engineering from Queen's University, Canada, and an Executive Management Development Program qualification from the University of Stellenbosch, South Africa. Additionally, he held prominent roles, including Chairman of The Botswana Chamber of Mines and Chairman of the Board of Trustees for the MCM Mine Rehabilitation Trust Fund.

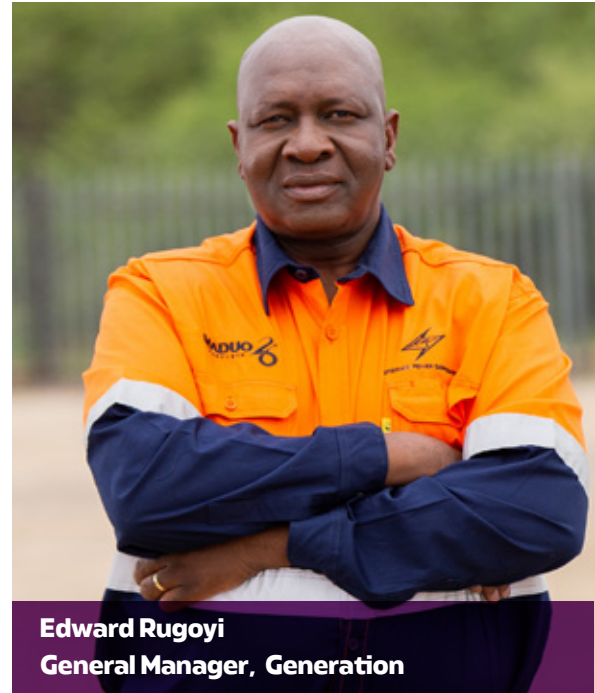
Executive Management Profiles continued...



Oaitse Ramasedi
Chief Financial Officer

Mr Oaitse M. Ramasedi is a seasoned finance professional. He joined Botswana Power Corporation (BPC) as Chief Financial Officer in June 2020 and plays a key role in the financial restructuring and long-term sustainability of BPC. His professional experience spans academic institutions, civil service, rail transport and financial institutions.

Mr Ramasedi graduated with Master of Arts, Post-Graduate Diploma in Risk Management and Bachelor of Commerce. On the professional qualifications side, Mr Ramasedi is a Fellow of the Chartered Institute of Management Accountants, Fellow of the Botswana Institute of Chartered Accountants, Fellow of the Insurance Institute of South Africa, and Associate Member of the then Botswana Institute of Bankers (now Botswana Institute of Banking and Finance). In addition to his professional life, Mr Ramasedi has served in numerous Boards.



Edward Rugoyi
General Manager, Generation

Mr Edward Rugoyi is a chartered electrical engineer with more than 25 years of experience in power systems gained in the Southern African electricity supply industry. He has specialised expertise in power utility management at senior and executive level which has given him experience in the transformation of power utilities, strategic planning, strategy implementation, power sector reforms and restructuring.

His electrical power utility management experience is backed by several years of technical experience across electrical power system operation and maintenance, transmission and distribution infrastructure development, energy transaction agreements that comprise; operation and maintenance, power purchase, primary fuel supply agreements and cross-border electricity trade.

Executive Management Profiles continued...



Letlhogonolo Bantsi
General Manager, Human Resources

Mr. Letlhogonolo Maemo Bantsi joined the Corporation on 01 August 2019. He brings an illustrious career in Human Resources Management which started at the Botswana Mine Workers Union as an Education and Training Coordinator from where he moved on to join Air Botswana in 1996 as an Industrial Relations Officer and later in 1999 progressed to Employee Relations Manager. At Air Botswana he steadily progressed up to the Acting Human Resources Manager and doubling as Training and Development Manager up to 2009. He also acted in the position of the General Manager of Air Botswana from 2008 to 2009. After leaving Air Botswana, he formed a Consultancy called People Management Connections (Pty) Ltd in 2010 as a Director, consulting on human resources, and from there he joined Botswana Railways as the Director-Human Capital in 2012 to 2019 where he assisted in the restructuring process.

Mr. Bantsi holds a Master's Degree in Business Administration (MBA) and a Postgraduate Diploma in Management Studies from Buckinghamshire Chilterns University College UK as well as a Postgraduate Diploma in Law from the University of Cape Town amongst others. He is a member of the Institute of People Management (SA) and a founder member of Institute of Human Resources Management (Botswana). Bantsi has assisted organizations in the restructuring process, dispute resolutions process and Talent and Succession planning among others. He is also a Fellow Member of International Academy of Management (UK). Mr. Bantsi has also been a part time Mediator/ Arbitrator appointed by the then Minister of Labour and Home Affairs from 2006 to 2019.



Emmanuel Bopadile
General Manager, Internal Audit

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

Executive Management Profiles **continued...**



Bojosi Gaothuse
General Manager Transmission & Distribution

Mr. Bojosi Gaothuse is a seasoned engineering professional who joined the BPC Executive Management team on 01 April 2022 as the General Manager Transmission and Distribution. He previously served as the Network Maintenance Manager under Transmission and Distribution since mid-September 2018.

Mr Gaothuse is a Professional Engineer who has extensive knowledge in Maintenance strategies and strong Construction driver with a wealth of experience spanning over 20 years. He has a demonstrated history of working in the Mining & Utilities industry covering electrical power system operations and maintenance, transmission and distribution infrastructure.

Prior to joining BPC, Mr. Gaothuse's illustrious career started at Botash after graduating from the University of Botswana and worked his way through the corporate ranking and ultimately transitioning into a fully-fledged engineer. He is skilled in AutoCAD, Electrical Engineering, Mechanical Engineering, maintenance and commissioning of Boilers as well as Flash Smelting furnaces. He managed the Asset Management Improvement Program at Botash aimed to reduce maintenance costs to become globally competitive.



Carel Stoop
General Manager Projects

Mr Carel Stoop joined the Corporation on 01 March 2022 as General Manager- Projects, responsible for planning, organising, directing, controlling, coordinating and managing projects throughout the Corporation's operations.

Mr Stoop has more than two decades of experience in Project Management and the Development and Execution of multi-disciplinary mega-projects, predominantly for Power Generation and Hydropower/Pumped Storage Plant in Eskom Holdings.

He brings with him a wealth of experience in project management, engineering, project development, risk assessment and management expertise needed to deliver Power Generation projects that meet technical and quality assurance specifications.

Mr Stoop holds an MSc in Project Management, BCom in Information Systems and numerous technical and management short courses. He has a diverse work history and years of leadership experience within Power Generation and the management of complex projects.

Executive Management Profiles continued...



Mogomotsi Kebitseng
General Manager Asset Management & Care

Mr Mogomotsi Kebitseng joined the BPC Executive Management team on August 1, 2022 as the General Manager Asset Management and Care. He previously served as the Power Station Manager at the Morupule A Power Station. Mr Kebitseng is a Professional Engineer with over 12 years of experience in the Power generation, water, gas, Cryogenics, Hydrogen (SMR) and mining utility industries. His experience includes engineering, operations and maintenance, project and contracts management obtained in various countries including Namibia, Botswana, Egypt and Madagascar where he has held various roles in engineering and Senior Management.

He is well versed in the areas of Asset Management and Reliability Engineering, Robotics, Process Automation, Control & Instrumentation and ISO Integrated Management systems.

Mr Kebitseng holds a Bachelor of Engineering (Hons) degree in Electronics (Telecom, Controls and Automation) from the Multimedia University, Malaysia and a Master of Business Administration in Operations and Project Management, UCAM, Spain. He is a member of the Engineers Registration Board (ERB) and the Chartered Management Institute (CMI, UK).



Kusigani Mbambo
General Corporate Counsel

Kusigani Mbambo is the General Corporate Counsel. She is an attorney by profession with thirteen (13) years' post qualification experience which includes commercial litigation and alternative dispute resolution (arbitration and mediation), corporate governance and corporate law. Kusigani's prior experience includes working at Botswana Railways as General Counsel and Board Secretary. Prior to that commercial law firms: Collins Newman & Co. from 2007 to 2010 and thereafter Bookbinder Business Law from 2012 to 2015.

She was appointed Legal Advisor and Board Secretary at SPEDU from 2015 to 2016. She rejoined Bookbinder Business Law and at the time of her departure she was a Partner. Kusigani's areas of interest include alternative dispute resolution, corporate governance and corporate law. Kusigani has a Bachelor of Laws from the University of Botswana. She is also a Fulbright scholar and graduated with a master's in law from the University of the Pacific - Mc George School of Law in Sacramento, California in December 2011. Kusigani is admitted as an Attorney, Conveyancer and Notary Public.

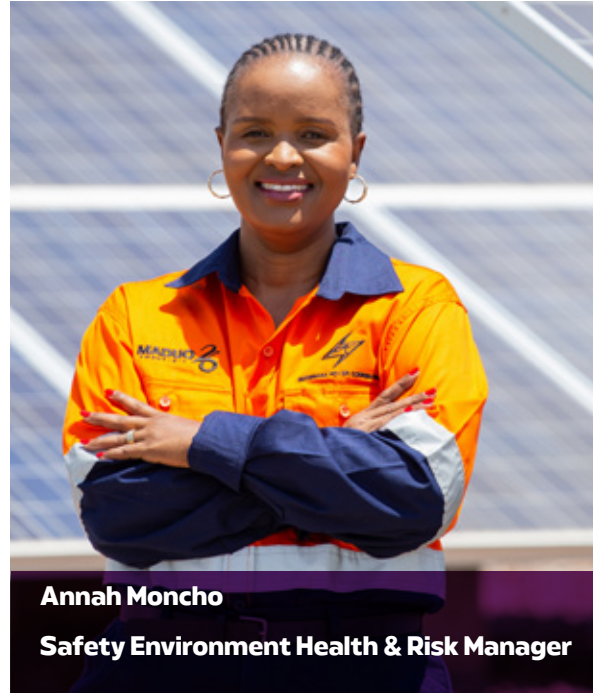
Executive Management Profiles continued...



Dineo Seleke
Marketing & Communications Manager

Ms Dineo Seleke, joined Botswana Power Corporation (BPC) in 2016. Her role is to Manage the Corporation's Internal and External Communications, network the Corporation with critical stakeholders and ensure brand visibility.

She is also responsible for the overall media management, Public Relations and implementation of the Corporate Social Responsibility programme for the Corporation. Before joining the BPC team, Dineo worked as Executive Coordinator for the Chief Executive Office at National Development Bank of Botswana (NDB). Prior to that she gained valuable experience in Photovoltaic Solar projects through her role as Regional Manager for BPC Lesedi - Maun Office. Dineo has also served as Marketing and Communications Officer for Selibe Phikwe Economic Diversification Unit (SPEDU) Regional Development Agency, an economic diversification unit that was set by the Government to coordinate the development of other sectors of the economy besides mining in order to boost and sustain the SPEDU Region.



Annah Moncho
Safety Environment Health & Risk Manager

Ms Annah Moncho joined BPC in 2014 as SHER Manager responsible for Generation Business Unit. In May 2017 she was appointed Corporate SHER Manager for the whole organisation. Ms Moncho has previously worked in various mining houses such as Debswana, Gem Diamonds and African Copper as well as also managing her own consultancy firm.

She has gained valuable experience in the field of Safety, Health, Environment & Risk and has successfully implemented best practice standards such as ISO 14001 and OHSAS 18001 in both green and brown field projects. Ms Moncho holds a Bachelor of Arts in Public Administration and Environmental Sciences from the University of Botswana and also holds a post graduate qualification in Enterprise Risk Management from Botswana Accountancy College (BAC).

Executive Management Profiles continued...



Letshego Moeng
Strategy & Transformation Manager

Mr Letshego Moeng joined BPC in 2020 as Strategy and Transformation Manager, responsible for facilitating the development and execution of the corporate strategy. Mr Moeng previously worked for Public Enterprises Evaluation and Privatisation Agency (PEEPA), Local Enterprise Authority (LEA), Deloitte and Botswana Unified Revenue Service (BURS). At PEEPA, he was involved in the establishment of Botswana Energy Regulatory Authority, Electricity Tariff Review as well as the development of the Strategy for private sector participation in the Electricity Supply Industry (ESI) and BPC. He brings a wealth of experience in amongst others, sector reforms, privatization and restructuring, strategy, project management, corporate governance, performance management, knowledge management, tax consulting, VAT audit and ICT (system development).

He holds a Bachelor of Commerce in Business Systems Implementation and Electronic Commerce Management from Deakin University, Australia. He is a Chartered Management Accountant (CIMA) UK. He also undertook a programme with the University of Cape Town Graduate School in Managing Power Reforms in Africa and a Senior Management Development Programme with University of Stellenbosch Business School.



03.

PERFORMANCE REVIEW

Generation Department
Transmission and Distribution Department
Finance Department
Marketing & Communication Department
Internal Audit Department
Strategy & Transformation Department
Human Resources Department
SHER Department
Corporate Secretariat Department

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Generation Department

The Generation Department operates the Corporation's electricity generation facilities for the provision of electrical energy. The specific day to day responsibilities include, amongst others, providing generation commitment plans to the Transmission & Distribution Department to guide on the daily assessment of energy demand and supply balance. These responsibilities extend to providing information on reliability-related status of generating units for long term decision making to ensure security of supply.



MORUPULE A POWER STATION

The plant performance for the year under review was satisfactory and within the projected performance limits post refurbishment. There was a slight decline in performance in comparison with the previous year. The plant dispatch was at 548 GWh against a plan of 745GWh and this translates to 73% conformance to the plan for the period under review. The causes for the variance included forced outages and intermittent curtailment of supply. Energy availability for the year under review was at 63% against a target of 75% for a refurbished gross capacity of 100MW. Most notable was the plant uptime which was at 79% against a target of 80%. The variance in the plant uptime against energy availability was due to intermittent load losses and for the partial loading of the units. The planned capability loss factor (PCLF) for the year averaged a total of 76 days shared between

Unit 1 and 3 for the annual statutory inspections. The unplanned capability loss factor (UCLF) was the highest on unit 1 due to the fire incident that occurred in November 2021 and on Unit 2 due to the ID fan failure. The root cause for the forced outages have been established and implementation of the corrective actions are in progress. Those attributed to defects will reach closure in October 2022. The Sulphur dioxide (SO₂) and Nitrogen oxide (NO_x) emissions were on average within target. There was a deviation in the month of December 2021 and February 2022 for SO₂ resulting from global shortage of sodium bicarbonate, alternative supplies were sought from companies that stockpile. Preventative maintenance that includes condition monitoring, cyclic maintenance and risk-based inspection was done in accordance with Original

Generation Department continued...

Equipment Manufacturer manuals and best practice recommendations. Compliance for the period under review was above set target of 80%. The average plant efficiency was at 19.91% against a target of 22.5%. The efficiency improved significantly from the first quarter due to reduction in heavy fuel oil usage and some improvement on milling plant efficiency.

EMERGENCY PLANTS

The Orapa and Matshelegabedi emergency plants generated a total of 47GWh and 42GWh respectively, making a total of 89 GWh for the year. Compared to the previous financial year, this shows a reduction of 5GWh attributed to improved MBPS availability.

MORUPULE B POWER STATION

The Power Station continues to operate whilst under remedial works particularly on Unit 4. The Remedial Works are aimed at improving the plant's reliability by addressing plant construction defects. Morupule B Remedial Works commenced in June 2019 and were originally planned for completion in January 2023 covering all four Units. Unit 4 will be undergoing a 90-day reliability run after year under review, of which when successful will qualify the second unit to undergo remedial repairs commencing. This program was impacted by the Covid-19 pandemic causing significant delays. Consideration has been given to other strategies on the outage programme to explore possibilities of running parallel/overlapping outages for purposes of clawing back the time from the delays occasioned by Covid-19 pandemic. During the year under review, an internal generation turnaround strategy was implemented by employing a management team made up of 4 Power Plant Specialists to re-enforce the MBPS resident team in an effort to maximize reliability and long-term sustainability. Furthermore, additional resources were also engaged from the previous Operation and Maintenance contractor to clear the maintenance backlog. At the end of the financial year, MBPS Energy

Availability Factor (EAF) was at 33% against a Target EAF of 46.9%. The lower than target EAF is due to Unit 2 running at half capacity (80MW) while awaiting remedial works. The other two Units continue to be operational at full capacity of 150MW. Morupule B power station uses limestone for sulphur oxides abatement and 19 442 tonnes of limestone was used in this financial year which was lower than the target due to defects experienced in limestone injection systems. The limestone system defects are under repairs with further repairs to be done as units go for remedial repairs. Furthermore, the plant consumed a total of 1 081 320 m³ of raw water. 874 192 m³ was sourced from Water Utilities Corporation while 207 128m³ was from underground wellfields located at Mmashoro.

SOLAR PROJECTS

During the year under review, BPC signed five Power Purchase Agreements (PPA) for solar PV projects. The first two being the one for the Bobonong site and the Shakawe site. The construction of Bobonong and Shakawe solar projects started in November 2021 and February 2022 respectively. Both projects are expected to be commissioned in July 2022. On the 17th March 2022, BPC signed three power purchase agreements for Lobatse, Maun and Ghanzi each with a capacity of 4MW. The financial close is expected to be nine (9) months from the PPA signature date and the commercial operation date is 18 months from the PPA signature date. Furthermore, BPC awarded a 50MW solar project to be built at Selebi Phikwe and the PPA signing is anticipated within 10 months for the signing date. BPC is also in the procurement process of another 50MW solar plant to be built in Jwaneng and other small grid tied plants in various areas. In addition to the solar PV grid connected projects, BPC is also running a Roof Top Solar Programme which started last year. This programme allows Commercial, Industrial and Domestic customers to install solar panels on their properties, generate electricity for self-consumption and sell surplus power to BPC.



Transmission & Distribution Department

Transmission and Distribution Department is responsible for overseeing the development, operation and maintenance of the transmission and distribution network assets, to reliably transmit and distribute electricity to consumers.

The Transmission and Distribution Department gets bulk electricity supply from Generation Department, the Southern African Power Pool (SAPP) Energy Market and on short- or long-term bilateral contracts with its neighbouring countries to meet the country's power demand.

The department's key KPI's are the System Average Interruption Frequency Index (SAIFI) and the System Average Interruption Duration Index (SAIDI), which were 0.06 and 0.39 against the targets of 0.25 and 10 respectively.

The Transmission and Distribution Department has 5 sections, namely:

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

NETWORK MAINTENANCE

The mandate of the Network Maintenance is to ensure optimal utilization and availability of Transmission Network Infrastructure through safe and cost-effective maintenance execution.

Each year, the corporation draws an annual maintenance plan for its assets and endeavours to achieve at least 70% completion rate. During the financial year 2021/22, the section achieved 54% completion of planned maintenance. The low target was due to outage cancellations due to generation constraints, shortage of operators, covid reasons (isolations), disapproved outage requests, attending to system defects and shortage of test equipment. The other contributor to not achieving the target of 70% was due to assisting with operations due to projects work.

Key maintenance activities and their achievements in the financial year are indicated below:

- i. Servitude maintenance or vegetation management on power lines
- ii. Substation weeding and general house keeping
- iii. Transmission & Distribution Substation equipment maintenance (Transformers, Circuit breakers, protection equipment and indoor 11kV switchgear)
- iv. Transmission Power line maintenance
- v. Protection of equipment maintenance & refurbishment

- vi. Protection coordination studies/audits and implementation
- vii. Maintenance projects implementation
- viii. Maintenance planning and scheduling

CUSTOMER SERVICES



Customer Services primarily deals with customer connections and distribution network infrastructure maintenance to ensure it is done efficiently and safely. The section has three operational centers, being South, Central and North. In the previous review, the section focused more on the Turn Around Times (TAT) to attend to system faults and power interruptions other than only in the reduction of those. It therefore set the following targets for the year:

- For distribution high voltage faults an average of 159 mins per month.
- For distribution low voltage faults an average of 174 minutes per month

For the year under review, the section recorded TAT of 124 minutes for high voltage faults and 87 minutes for low voltage faults. The Corporation managed to achieve this by carrying out maintenance of its distribution network and network refurbishment of projects across the country.

The section oversees the customer connections process that contributes to the government's initiatives to increase households' access to electricity. For the period under review, the section managed

Transmission & Distribution Department continued...

to connect 27,569 households against a target of 31,515. These new connections increased the overall number of household connections to 481,610. The new customer connections are undertaken by citizen-owned contractors and consultants pre-qualified by BPC under its distribution contractors' programme.

NETWORK PLANNING AND DEVELOPMENT

The role of Network Planning and Development section is to plan and implement network developments to ensure that the Transmission and Distribution network performs to expected standards in terms of reliability, security, quality of supply and the ability to cope with the rapid load growth. The section is also responsible for implementing Government funded transmission and distribution projects as well as Customer funded projects.

The main achievements of the section during the year under review is as summarized below:

North West Transmission Grid Connection Project (NWTGC)

The completed components (Lots 1 to 8) have proven to be reliable during the year under review as no major faults were experienced. The infrastructure is still under the Defects and Liability period up to December 2022.

The outstanding component (Legotlhwane Ghanzi Line) gained some traction after the Corporation took a decision to directly pay for major projects materials such as the conductor and did the same towards subcontractors employed by the main contractor (Conco). This eased the financial burden on Conco as there was some noticeable progress on the project. However, this declined when delivery of material to site became a challenge.

As at April 2022, overall progress attained on this line was 86% against a target of 100%. The project was expected to be complete by March 2022 but this has not been achieved and the revised completion date is now July 2022. The actual expenditure for Phase 1 as at March 2022 was BWP2.210 Million against the budget of BWP 2,355 Million which is about 94% of the budget.

Transmission Reinforcement Projects

The Transmission Network Reinforcement project which is aimed at strengthening the network at certain areas in the country also made a significant progress on two out of three components.

- a. **Ramotswa 132/33/11kV substation.** As at March 2022, the substation had done one of the two years of the Defects and Liability period and no major faults had been experienced. The three remaining feeders under the Load Dispersal component were at 70% with completion expected end of July 2022

- b. **Mochudi 132/33kV substation plus 132kV line from Phakalane.** The substation component on this project progressed very well and attained 95%. The construction on the 132 kV line started late due to Wayleave issues. The revised completion date is now September 2022.

- c. **Tlokweng 132/11kV substation.** Progress as at March 2022 was 82%. The project is expected to end in July 2022.

Distribution Network Development

The Distribution Network Refurbishment programme made some progress though it was hampered by delays in the delivery of materials to site due to backlog in the clearance of containers at the shipping ports. Phase 1 realized progress of 99% and has only one project remaining. Phase 2 projects are nearing completion with the overall progress at 88% and the projected completion date being end of August 2022. Phase 3 is envisaged for completion by end of October 2022 and had attained 24% progress as at March 2022. The delivery of major equipment on this phase has been adversely affected by challenges in the shipping logistics.

Rural Electrification Programme

The Village Electrification Programme (VEP) which comprised 44 new villages and 72 network extensions was fully accomplished when the last village (Tsetseng) got commissioned during the year under review. The Corporation embarked on a new programme in February 2022 following budget approval of P50million by the Ministry of Minerals and Energy. The programme comprises 40 villages made up of 5 new villages, 12 network extensions and closing gaps in 23 villages. As at March 2022, work had already commenced and most of the villages had already been awarded to contractors. Construction in one village (Molete) was nearing completion. The planned completion date is December 2022.

TECHNICAL SERVICES

The mandate of Technical Services section is to ensure safe operation, monitoring and control of the Transmission and Distribution Network Infrastructure through the use of reliable Supervisory Control and Data Acquisition System (SCADA), Geographic Information System (GIS) and Metering and Telecommunications systems. The section is also responsible for safe monitoring, control and operation of the transmission grid, as well as procurement of power for the Corporation.

The section is running a project to update the BPC SCADA System, in order to enable remote control and monitoring of the distribution network. This will greatly assist in resolving of distribution faults timeously. The new SCADA system was expected to be commissioned in March 2022, even though there is still a

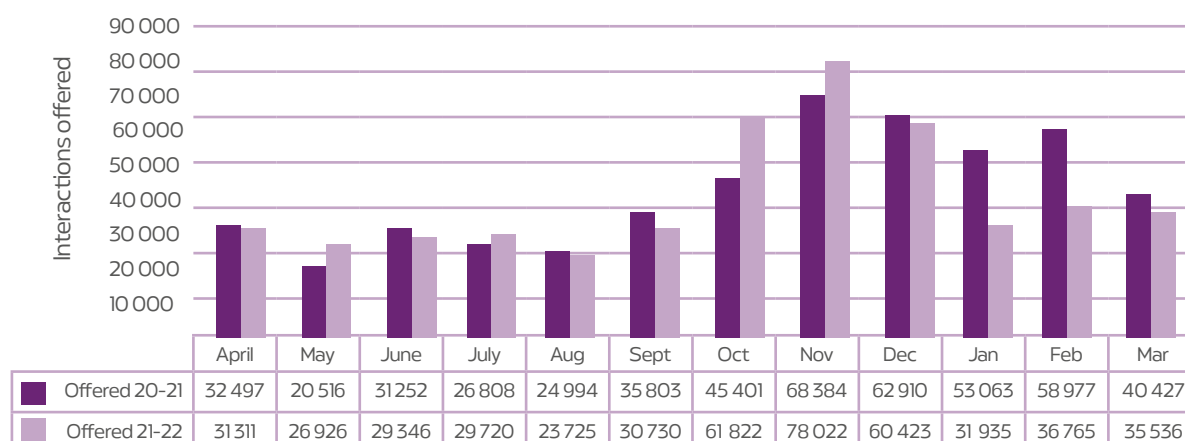
major component, being the Distribution Management System (DMS), which was delayed and is expected to be commissioned by September 2022.

CALL CENTRE

Call Centre manages and directs BPC Contact Centre operations. It encompasses receiving and resolving customer queries. The Call Centre noted a 71% Service Level (accessibility) for the year 2021/22 against a 62% Service Level (accessibility) compared to that of 2020/21. This improvement in performance was due to a 5% reduction in interactions received in the financial year 2021/22 compared to 2020/21. This was due to the introduction of the SAP based C4C Customer Experience solution that improved accessibility through the introduction of additional channels such as Social media (Facebook and Twitter) and provided a single solution for all interactions and 360 view of the customer.



Interactions offered by Month 20-21 to 21-22



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

Initiative	Description	Due Date
Revamp Contact Centre Set up	Provide a Contact Centre set up to enable improved accessibility by customers across all parts of the country.	December 2022
OLAs with Support Departments	Commit turnaround times to delivery of key processes in customer service provision.	September 2022



Finance Department

The finance department provides prudent financial management services as well as sound financial control environment.



The department is made up of the following sections:

- Revenue Management and Credit Control
- Financial Accounting and Treasury
- Financial Planning and Control
- Accounts Payables and Taxes
- Projects
- Information and Communication Technology Services
- Supply Chain Management
- Security Operations
- Service Delivery
- Knowledge Management

REVENUE MANAGEMENT AND CREDIT CONTROL

This section optimises revenue collection, manages and maintains customer accounts. In managing revenue, the section also undertakes revenue protection initiatives. The customer base is categorised into domestic, mining, commercial and government.

The corporation's strategy aims to improve the liquidity of the corporation to fund the increase in assets and to meet financial obligations as they fall due. In that regard, effective measures were put in place which included dedication of credit control resources to customers with similar risk profiles. Financial loss from defaults were limited by obtaining enough collateral, continuously monitoring the debtors and carrying out disconnections in cases where the credit risk is assessed to be high on defaulting customers. As at the end of the financial year debtor days stood at 35 days compared to the target of 40 as a result of an effective implementation of strategy.

FINANCIAL ACCOUNTING AND TREASURY

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

One of the major risks facing BPC is the inability to access alternative source of funding. To mitigate this risk, the corporation recognised acquiring a credit rating as a possible way of making the corporation attractive to corporate lenders. The corporation's current credit rating according to Moodys Investor Services is baa3 with stable condition. This is an investment grade rating which portrays the BPC as a viable business worthy of investing it. During year, the corporation received an approved increase in working capital financing of up to P200 million to enable optimizing funding costs.

As part of driving Maduo 26 strategy, the department continually capacitates its team through training and enhancing of financial markets and reporting skills to keep up with the changing world.

The Finance Department continued...

FINANCIAL PLANNING AND CONTROL

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

The corporation's budgeting process is premised on a highly interactive zero-based budgeting process. The operating expenditure budget as well as the capital expenditure budget are originated by the line departments, who are vested with the responsibility to initiate activities for the planned period. This section is accorded the responsibility for consolidation and moderation of the budgets. Ultimately, the Chief Executive Officer and the executive committee ensure that the budget is reflective of the corporation's strategy and is also within the capability of the corporation to resource it. Once assured that the budget is reflective of the priorities for the year and is reflective of the ambitious targets to be achieved during the year; it is submitted to the board finance and investment committee for further examination and recommendation to the board for approval. Upon approval by the board, budget implementation guidelines are issued to all departments.

ACCOUNTS PAYABLES AND TAXES

This section runs the corporation's centralised payment system to meet all the financial obligations. The section also is responsible for tax compliance and advisory role. The section completed the implementation of the host-to-host function that interfaces the payment module with the banking platform. This function reduces manual intervention in payment transactions and hence reducing the risk of fraud.

PROJECTS

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

Another function is project management of consumer financed projects and processing of the claims for electricity connection shortfall under the National Electrification Standard Cost (NESC) scheme. The amount claimable by the corporation from the National Electrification Fund (NEF) is the difference between the standard charge of P5,000.00 borne by the customer and the actual cost incurred by the corporation in connecting the customers. This fund was established from P0.10 (10 thebe) levied to customers for every kwh billed. In turn, the corporation collects the levy and credits it to the NEF.

INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

This section offers information and communication technology (ICT) services to optimise the performance of the corporation. It procures and supports corporation-wide systems across all other departments. The section is currently undertaking the following projects in 2022.

- Extension of Supervisory Control and Data Acquisition (SCADA) system to cover the whole distribution system countrywide in order to improve system reliability and availability. The project is expected to be completed in 2023.
- The upgrade of sap development system from sap ecc 6.0 enhancement package 1 to sap enhancement package 8. The upgrade will automate more processes and increase efficiency.

The section is also implementing sap enterprise asset management system that is required for use in the management of plant maintenance at both Morupule A and B power stations, transmission and distribution assets including the management of the entire BPC fleet. An enterprise asset management system will integrate to finance, control and supply chain management sap modules for a complete management of an asset lifecycle.

SUPPLY CHAIN MANAGEMENT



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

- To improve operational efficiencies, accountability and enhance the procurement processes of the Corporation.
 - Currently, supply chain has embarked in contract management across the organization. The objective are as follows
1. Have a continuous flow of materials for customer connections
 2. Monitor supplier performance
 3. Ensure the delivery of services is satisfactory to both parties
 4. Improved contract compliance

The Finance Department continued...

For the financial year ending March 2022, Supply Chain has managed to contract all key stock items to ascertain those material shortages are no longer a challenge. Furthermore, the department has managed to separate the roles of warehousing and planning, as well as introduced the role of a Demand Planner who will be responsible for the whole organization.

Supply Chain is opening a new warehouse in Palapye, this is due to the rapidly growing Central Region over the years as such requiring to be serviced efficiently. Materials will be procured directly to the Palapye warehouse as opposed to Central getting its materials from North as its currently happening. The exercise should be completed before end of the current financial year 2022.

In addition, the new Public Procurement Act is expected to be implemented on the 14th April 2022. The directive is for all government bodies and parastatals to adopt the act. The corporation is engaging experts to assist with interpretation of the new act to ensure compliance.

SECURITY OPERATIONS SECTION

The role of the Security Operations Department is to protect Corporation assets through risk identification and implementation of security counter measures to curb losses. This includes driving compliance through investigations of breaches against policies, control of movement of people, goods and machinery of Corporation assets, surveillance management, people security, security risk management, as well as developing a security culture by sensitizing staff on security protocols and ownership of security. The section has two units namely;

- i. Intelligence and Investigations
- ii. Operations

Intelligence and Investigations

The Unit's mandate is to minimize security risks exposure to theft, fraud and vandalism and provide proactive and reactive investigations on malpractices as well as facilitate liaison with Law enforcement agencies in an effort to curbing crime on BPC assets.

Operations

Its purview is to provide the Corporation with oversight in physical security, facilities security, incident investigations, employee security and risk management. This is to curb theft and vandalism of assets through the application of varied security measures ranging from security manned guarding, access control, close circuit television, adopting Crime Prevention Technology through Environmental Design and others.

Achievements

- There were sensitization campaigns to staff and Contractors to raise awareness of security protocols.
- An awareness session on Whistle blowing were shared to promote a culture of reporting and curb malicious reporting.

- Agencies to develop strategies to combat crime as well as to create a platform for information sharing.
- It continues to undertake investigations to curb non compliances.
- The Corporation continues to strengthen partnerships with the local law enforcement Agencies to support its security mission. The support is through collaborative engagements, joint operations, and response to incidents.
- Access control and surveillance systems enhancement at some sites.

The challenges

- Prevalence of theft and vandalism on the network resulting in revenue leakage.
- Non-technical losses experienced due to meter fraud and related incidents.
- Security Systems Optimisation - Most of the available security systems are not fully optimised.
- Covid 19 pandemic and related protocols negatively affected implementation of awareness plans for a wider coverage.

SERVICE DELIVERY SECTION

The section oversees the Corporation's facilities namely Property, Offices Services (Admin) and Fleet. The services provided by the section are corporate wide. The Section is made up of the following units:

- Fleet Services
- Property Services and
- Office Services.

Fleet Services

It is responsible for a total fleet portfolio of 525 vehicles across all BPC centres in the country. The portfolio comprises fully owned fleet ranging from Sedans, pickups, light trucks, buses, heavy duty trucks and mobile plant equipment. The portfolio comprises of fleet acquisition, maintenance and management to ensure that the Corporation delivers on its mandate.

Property Services

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

Office Services

Office Services section serves to provide administrative support services within the Corporation, this includes upkeep of the offices, grounds management, procurement of furniture and management of Utilities (water and phones). Some functions of this unit are fully outsourced while some are performed internally. Service Delivery key activities and achievements during the year were as follows:

- Completion of the refurbishment of the National Control Centre and Call Centre.

The Finance Department continued...

- Implementation of a two year call out maintenance contract for the South Region: the contract is meant to improve on the Section efficiency to respond to customer needs.
- Construction and completion of Old transformers storage platforms in compliance with SHER requirements.
- Construction and completion of Scrap storage facilities before disposal

Service Delivery Section is planning to do the following:

- Implement Service Level Agreement for the repair and maintenance of Mobile Plant at the Power Stations: Morupule A and B.
- Alignment of the procurement initiatives with the new Public Procurement Act.
- Automation of Fleet and Property process through the SAP Enterprise Asset Management Solution
- Replacement of Corporation Fleet to enable departments to improve customer service turnaround times
- Opening the new Customer Service office at Goodhope and Bobonong Revenue office
- Relocation of Bobonong, Tutume, Kang, and Werda offices to BPC-owned plots.
- As a way of improving response to customer queries and faults Service Delivery is working with Transmission and Distribution to establish zonal offices in Gaborone and greater Gaborone.
- The department is in the process to enhance security in our facilities by constructing walls and improving the fences in areas prone to vandalism and theft.

KNOWLEDGE MANAGEMENT SECTION

The Knowledge Management (KM) section was established in 2019 as part of Masa 2020 Transformation Agenda. Prior to that, its mandate was limited to Records Management. The restructuring exercise extended its mandate to include document, library services and knowledge management. The section is tasked with the strategic function to effectively manage and use knowledge and information as a value adding resource, used to innovate new products and services for improved organizational performance. The coming in of the Maduo 2026 Strategy has seen the section continue in its endeavour to improve the management of records and information with initiatives that are aligned to the strategic objective of creating a Digital BPC, among others. The specific initiatives included the implementation of an Online Library Management System, and an Electronic Document and Records Management System.

Implementation of an Online Library Management System

Access to information in the manual environment was difficult and impeded smooth operations and effective decision making. KM set out to implement an Online Library Management System (OLMS) which would enable access to digital information resources on a continuous basis, even beyond working hours remotely. An Invitation to Tender for the OLMS was approved and floated in

November 2021. Due to financial constraints faced by the Corporation, the OLMS project was deferred and will be implemented in 2023/24 financial year.

Implementation of an Electronic Document and Records Management System

The purpose of an Electronic Document and Records Management System was to improve the management of BPC's manual records electronically, including managing digital records generated through various systems. The project was also deferred due to budgetary constraints.

Policies on Managing records and information

Policies on the management of records and information are critical to the management of records as an organisational asset, as part of the overall records management programme. The Knowledge Management Section has developed a records management programme to guide the implementation records and information initiatives in the Corporation. Among the programme components are policies that guide the management of records and information. The policies developed, being the Records Management Policy, Document Control Policy and Information Governance Policy and Information Resource Policy have been endorsed/approved by management and shared with the Botswana Power Corporation Union for their input before finalisation.

Records Management Processes

As part of the endeavour to develop service standards within KM, records management processes have been documented and mapped in collaboration with the Office of Strategy and Transformation. The implementation of standards is meant to improve turnaround time for the delivery of service. These processes are reviewed annually or as and when need arises to improve efficiency of service delivery.

Records Decongestion and Storage

The department undertook a project to clean up records stored in various records storage facilities from March 2021 covering the North and Central regions. A local company was contracted to assist on a corporate wide data cleaning exercise to improve information access and quick retrieval process. The project has assisted in the management of large quantity of growing corporate information and records through transfer to a suitable records storage facility in Gaborone. A Master List of all captured files is available that facilitates easy retrieval of information for quick decision making.

Records from thirteen (13) out of seventeen (17) Offices across the country has been transferred to off-site storage facility for safe keeping. The department will continue with the exercise to ensure completion of the Project in the remaining offices such as Gantsi, Tutume, Charleshill, Ramotswa, Jwaneng, Tsabong, Werda, Hukuntsi and Kang. The department has decongested eighty-six (86) offices/storage areas across BPC and the

The Finance Department continued...

exercise is done on a continuous basis.
Classification of Records

In collaboration with Managers and Heads of Departments, KM has reclassified records by function, covering all business units. The Business Classification System (BCS) was approved by Botswana National Archives and Records Services in August 2021. The BCS has been rolled out following the successful implementation at Head Office after piloting. Outstations that have started implementation are Main-Mall Customer Service, Gaborone Training School, MAPS, MBPS, Palapye CSS, Francistown and Serowe. The BCS serves as a base for structured base for records control and organisation. The roll-out will continue to other BPC Offices/Outstations this financial year 2022/23.

Records Retention and Disposal

A Records Retention and Disposal Schedule (RRDS) was also developed for all the functions of the Corporation. The RRDS assigns retention periods for each record and is linked to the BCS. It is a tool used to make decisions on how long to keep records before destroying them or transferring those that have enduring value (archives) beyond the reason for their creation to an archival repository for permanent preservation. The RRDS was approved by BNARS in October 2021. This is a milestone achievement as it paves way for determining the value of records and disposing some accordingly. The implementation will be done during 2022/2023 financial year.

Information Governance Audit

The Corporation's Internal Audit Department audited information governance within KM and came up with sixteen (16) audit recommendations to be addressed. Out of the sixteen (16) the department closed eight (8) as planned for the financial year 2021/22. The remaining ones will be closed in the 2022/23 financial year.

BOTSWANA POWER CORPORATION

MADUO TWENTYSIX
SUSTAINABILITY THROUGH EFFICIENCY

**REPORT
CORRUPTION**

BPC has an Independent line that allows the Public to anonymously report cases of unethical business conduct.

Report to: **15125** or
email: **bpc@tip-offs.com**

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SOCIAL MEDIA**

Powering Botswana To Prosperity

The Marketing Department

The department executes its mandate in a modernised and innovative way in informing and educating customers. It is the Marketing and Communications responsibility to ensure BPC's stories are being told. The Corporation's stories are being told to all audiences through various mediums.



During the year under review the Marketing and Communication Department launched and communicated several projects that were initiated by the Corporation to improve its service offerings to the public. These include Jamataka Rural Electrification North West Transmission Grid and the Rooftop Solar Project. Furthermore, the Marketing and Communication Department prioritized its activities to Public Safety Education, Energy Efficiency, as well as Corporate Social Responsibility (CSR) initiatives.

Public Safety Education

Zero harm is key to the Corporation, that is zero harm to employees and zero harm to any BPC customers in the community. BPC strives to have no person harmed by our operations, no equipment or environment to be damaged and strives to prevent loss of life. Therefore, the Corporation through various media platforms communicated the importance of safety to employees, children, households and business communities.

Energy Efficiency Campaign

Energy efficiency improves the quality of life through reduced environmental risks, increased economic and monetary savings. Therefore, the Corporation finds it imperative to educate its different publics on the benefits of efficient use of electricity. The Marketing and

Communications department curated content geared towards improving the comprehension of how important energy efficiency is. Both inbound and outbound marketing tools were used to engage different publics.

CORPORATE SOCIAL RESPONSIBILITY

In line with valuing the communities that we serve, BPC participated in various community service projects countrywide. Below are the projects BPC undertook in the year under review.

Mabesekwa Shoe Drive

BPC Francistown employees embarked on a shoe drive and raised funds amounting to P 24,819.79 (inclusive of the BPC CSR community service day pledge worth P5,000.00) geared towards procuring and donating 150 pairs of shoes to the less privileged children of Mabesekwa Primary School.

COVID 19 Floor Stickers

In its continued effort to help fight spread of Covid 19 the Corporation donated Covid floor stickers to different primary schools in the country. The floor markers were designed in a child friendly manner and they included the important health protocols messages of washing hands frequently, social distancing, putting on a mask all the time. The beneficiaries of this exercise included Phatogo

The Marketing Department continued...

Primary School in Francistown, Mustard Seed English Medium at Palapye, Phillip Moshote Memorial Primary School in Gaborone and Letsholathebe Primary School at Maun.

Maun Service Center Gives Back to the community

Maun service center identified Lorato House to supply hygiene supplies. Lorato House is a shelter for vulnerable children and children with disability from across the country who receive care, shelter and mentoring at the Centre. It operates on goodwill donations from willing individuals and institutions from across the world, however since the Covid 19 pandemic donations have reduced. BPC donated 40 litres of hand sanitizer, 25 litres of disinfectant, knapsack spray, 4 sanitizer dispensing bottles, 100 face masks, 6kg washing powder, 3 mops, 3 brooms, 5 litres handwashing soap, 5 litres dishwashing liquid, two bags of oranges, a packet of maize snack and two balls. These will assist in maintaining a hygienic environment for the vulnerable.

Serowe Service Center Gives back to the community

Serowe Service Center employees identified Malatswai Primary School to undertake their CSR project. The centre managed to raise P10,500.00 (inclusive of the BPC CSR community service day pledge worth P5,000.00). The funds raised went towards buying toiletries, masks,

stationary and sanitary pads for donation.

BPC donates a working station

The Corporation upholds values of love and good spirit of working together, thus the CSR committee donated a workstation to Ms Keorapetse Nkaelang, a person living with a disability, working as a Supplies Officer at Morupule B Power Station. This was meant for the betterment of her working environment, so that she better executes her job, as well as show her that she is appreciated and her wellbeing is important to the Corporation.

Shoe Donation and Water Connection for a needy Woman

The Corporation has a platform where employees are encouraged to participate in giving back to the communities in their localities. This employee community participation initiative saw the Strategy & Transformation Department's employees donating a total of 72 pairs of shoes and socks to Ramotlabaki Primary School in the Kgatlang Region. The same initiative brought back life and dignity to an older citizen in Kasane, where water was connected to a family.

Through the Corporation's CSR initiative of community upliftment, Kasane Service Centre assisted Ms Rushando to connect water in her home.



Internal Audit Department

The Corporation has an independent Internal Audit function which administratively reports directly to the Chief Executive Officer and functionally to the Board Audit and Risk Committee (BARC). This dual reporting structure is designed to guarantee the structural independence of the department in providing objective assurance. It is the eyes and ears of the Board on the shop floor to provide assurance that governance, enterprise risk management, and control frameworks are adequate and effective to support the achievement of corporate objectives.

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

The Internal Audit Department is made up of IT Audits and Field Teams Sections

The IT Audit Section is charged with the responsibility to carry out

- IT Audits
- Evaluation of the adequacy and effectiveness of Information Technology Governance, risk management, and general controls.
- Provide Analytics Services to Internal Audit Teams.

The Field Teams Section mandate encompasses;

- Operational Audits
- Financial Audits and
- Special Assignments

The Internal Audit Department uses a dynamic risk-based audit methodology in developing the Internal Audit annual plan. The methodology recognizes the dynamic nature of the Corporation's risk profile and responds accordingly during the financial year. The adopted methodology ensures the assurance plan implementation is influenced by current risk assurance demand. The scope of the Internal Audit extends to all

property, personnel, and activities of the Corporation.

The Corporation has seen a growing awareness of good ethical behaviours demonstrated by the continued use of both the whistleblowing reporting line, reporting outside the chain of command, and the Directorate on Economic Crime and Corruption. The Corporation continues to engage with its stakeholders to promote whistleblowing. A total of 27 allegations were received by the Corporation through its whistleblowing reporting channels in the year 2021/22. All the allegations were investigated and 17 closed, with 10 ongoing as at 31 March 2022.

The Annual Audit Plan for the coming year 2022/23 has significant changes in the audit methodology, encompassing the transition to a continuous auditing process. The methodology is timely and relevant to address the challenges brought by big data in the digitized Corporation. It enables the department to increase the depth and breadth of assurance coverage due to enhanced frequent assurance visibility at a control and process level.

There has been an improvement in the closure of Audit Issues from 66% to 70% of total audit issues in the periods 2020/21 and 2021/22 respectively. All the audit issues due for closure during financial year were closed. The total Audit Issues at end of the year stood at 120 including 78 closed Audit Issues, and 42 Issues In-Progress.

Strategy and Transformation Department

The Strategy & Transformation Department facilitates the achievement of the Corporation's strategic goals and drives the transformation agenda. The role of the department is to facilitate the development of Corporation wide strategies, monitor corporation wide performance, report on the effective execution of these strategies. It also identifies business risks and develops mitigation strategies. It has the overall responsibility for the strategy formulation, compilation of the business plan and corporate performance management policies and standards. It translates the Strategy into actions and ensures alignment of shareholder expectations.



HIGHLIGHTS OF THE YEAR

Corporate Strategy

The Maduo 26 Corporate Strategy was developed in the financial year following the review of the Masa 2020 Strategy. The new Corporate Strategy addresses the identified areas for improvement and will focus on asset care and management; superior customer experience and returns; prioritise project execution; ensure Morupule B Power Plant runs optimally; ensure no one is harmed by our operations and puts our people first (employees, customers and communities we serve).

An extensive stakeholder engagement was undertaken to inform strategy formulation. Some of the stakeholders that were consulted include, Botswana Energy Regulatory Authority (BERA), Ministry of Minerals and Energy Security (MME), BPC customers (households, commercial and Large users), BPC suppliers, BPC Employees, BPC Board of Directors, BPC Executives, Botswana Power Corporation Workers Union (BPCWU), Chamber of Mines, Southern African Power Pool (SAPP) just to mention a few.

Strategy Cascading and Implementation

Maduo26 was cascaded to all departments, and they were facilitated to develop their departmental

scorecards dovetailed from the Corporate Scorecard. Maduo26 implementation started in the same period resulting in improved SHE performance, improved control environment, and enhanced customer experience and improved performance of Morupule B in the last quarter of the year.

Change Management

The Change Management office partnered with different departments in managing change brought about by different projects. The supported departments include Knowledge Management for their Business Classification System, Human Resources for their Recruitment, Onboarding and Offboarding project and also supported the Maduo 26 Strategy from its formation stage to date.

In efforts of increasing Change Management Capacity in the Corporation, the Change Management department has once again trained five (5) more Change Agents from different departments in the organisation including a BPC Union representative. Furthermore, the department has trained its two Change Officers on PROSCI Train The Trainer programme so that change agents can now be trained in-house and ultimately reducing the training costs and increasing the number of trained agents per annum.

Strategy and Transformation Department continued...



Culture Change Programme

The Corporation embarked on a culture transformation to improve organisational effectiveness and to inculcate the desired culture of a high-performance organisation. The project has been implemented, and we now see the benefits that include:

- Visibly Felt Leadership from across the Power Plants
- Rewards for high performance
- A documented and signed housing allocation policy
- Improved employee engagement

The learnings from the Morupule Culture Change Project will be applied in remaining departments as per the roll out plan.

FOCUS FOR THE NEXT FINANCIAL YEAR

Mini Business Areas

The Lean Six Sigma will undertake a roadshow across the country to assist teams to develop Mini Business Areas (MBA). An MBA board is a **visual tool** to guide teams to action and it is a **visual scorecard** for the team's progress towards company, departmental and team visions and targets. It keeps everyone's attention on the high performance, using colors and graphs to make information clear to everyone who sees it. It becomes a focal point for team meetings, and a place

for management's feedback and encouragement. There will be greater emphasis on a team based and focused Problem Solving approach as we implement the Maduo26. This will assist to harness our collective capabilities in accelerating the problem-solving process and fast-track implementation.

The MBAs will align team performance as well as sectional and departments to the corporate strategy to ensure successful implementation of the strategy. It is also a good basis for individual performance contracting.

Business Process Management (BPM)

The development of BPM programme is well underway, and preparatory work has begun. The Programme seeks to improve the following:

- a. Good corporate governance – standardization
- b. Business Continuity
- c. Easier transfer of business knowledge
- d. objective performance management
- e. provide a baseline for improvement
- f. resource planning
- g. Process visibility enhances better relationship management - at process handoffs, SLAs are based on actual process performance and capability

Human Resource Department

The Human Resources Department (HR) provides inclusive policy direction on human resource management issues, talent management and succession planning, as well as administrative support functions related to the management of employees for all departments. The Department is a strategic business partner that provides Human Resources programs that attract, develop, retain, and engage a skilled and diverse workforce.

The Department is made up of the following sections:

Learning and Development: The Section exists primarily to upskill and develop human capital for the Corporation. The Section is responsible for capacity building and development of the Corporation's technical and non-technical cadres by ensuring that employees have the necessary skills and competencies required for their roles in pursuance of the strategic agenda of the Corporation. The section also creates opportunities for nurturing of graduate trainees and interns.

Organisational Development: This section is tasked with the enhancement of individual and organisational performance. The section takes a lead role in the design and delivery of organisational development strategies that include among others Talent Management, succession planning and interventions to augment the culture of performance excellence in the Corporation as it undergoes structural and cultural changes.

Industrial and Employee Relations: This section's role is to develop and foster a fair, respectful, diverse and high-performance culture enabling employees to contribute their best and also to ensure harmonious relations with the Union. It also develops, delivers and

maintains a business focused employee relations strategy that meets the needs of the Corporation.

Human Resources Services: This section deals with management of acquisition of talent, retention and attraction strategies, and performance by employees. It is also tasked with mitigating employee related risks and ensuring legal compliance.

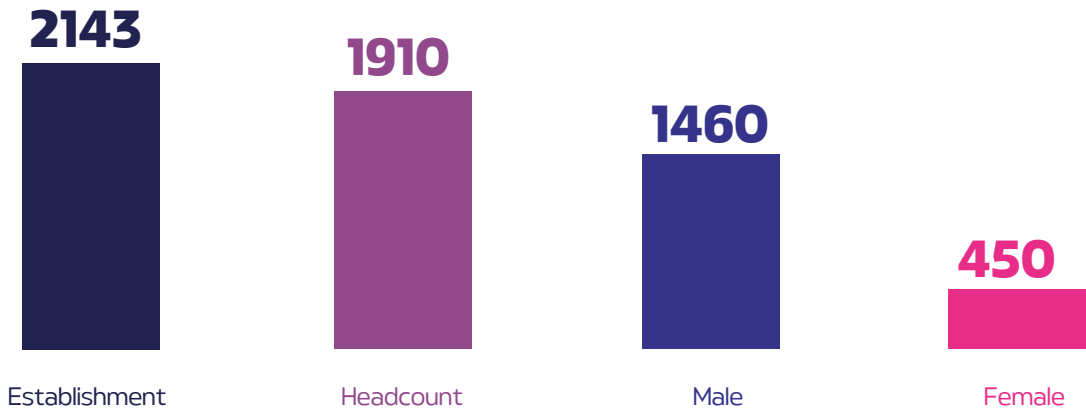
Employee Health Wellness: This section exists to address employee health needs with focus on Physical Wellness; Emotional Wellness; Social Wellness and Financial Wellness. On expansion these four areas are the cornerstones of the corporation's employee health program where chronic Ill health management and issues of stress management; and occupational health which is inclusive of medical health surveillance screening as well as pre and post-employment medical exams.

HUMAN CAPITAL RESOURCING

The Financial Year 2021/22 saw a small movement in the human capital resourcing plan as the Corporation continued to recruit and retain competent employees. The Establishment versus Headcount and Gender Profile are as shown below.

Table 1: Establishment Versus Headcount as of 31 March 2022

Establishment Vs. Headcount



Human Resource Department continued...



The approved establishment for the Financial Year 2021/22 was 2143 and the head count was 1910 as of 31st March 2021, thus the overall recruitment into the structure stood at 89%. The vacancy status stood at two hundred and thirty two (233) – 11%, as of 31st March 2021 compared to the same period in 2020/2021 where it was two hundred and fifty four (254) – 12%. This shows an improvement of 1% from the last financial year. The recruitment was largely delayed by the challenges brought by COVID-19 pandemic as well as reversion to the use of manual recruiting method. The Corporation completed testing of a digital platform, SAP Success Factors Recruitment Module at the end of the FY21/22.

There were 40 new employees recruited during the 2021/2022 Financial Year, 27 of whom were from the technical cadres. One of these was at Executive level for Project Management.

The turnover rate for the period under review stood at 2.6% across the board, where the Corporation separated with 50 employees for various reasons. The losses were mainly to the parastatal market, with whom BPC competes for the same technical expertise.

EMPLOYEE HEALTH AND WELLNESS

The Corporation's established employee health and wellness program strives for the attainment of a work life balance amongst its employees. The provision of primary health care and occupational health services

at the two Power stations' clinics reinforces the significance of a healthy workforce. The Corporation Wellness section provides an array of wellness services which among others are; curative, psychosocial, spiritual, physical and economic services. The perseverance of the COVID-19 pandemic resulted in the Corporation having high levels of psychosocial issues, hence a significant uptake of the Corporation's Employee Assistance Program. The demand for counselling services by employees significantly increased, and this is the case even post the COVID-19 decreased infection period.

HIV/AIDS Interventions

The Corporation continued to provide male condoms to employees sourced from Central Medical Stores through Botswana Business Coalition on AIDS. A total of 50,700 condoms issued country wide to mitigate HIV and STI amongst employees and the community.

Personal Finance Training

A total of 23 employees were identified and selected for personal finance training and coaching, this was a continuation exercise from the previous year. The identified employees had a net pay threshold of less than 40%. The training objective was to upskill them on personal finance. A total of 675 employees were reached through the in-house financial wellness sessions and these are at Morupule Power Stations, Palapye CSS, Mahalapye, Serowe and Nata

Human Resource Department continued...

Medical surveillance and Pre and Post Employment Medical examinations.

The foundations of health risk or hazards identification and management are within the Corporation's medical surveillance program. For the Corporation to succeed in early detection of process deviations and health abnormalities, it is pertinent for it to conduct medical surveillance, as this allows mitigation and containment before the identified issues become expensive to manage. The year under review saw the medical surveillance exercise being done at Morupule and corporate wide as per the table below:

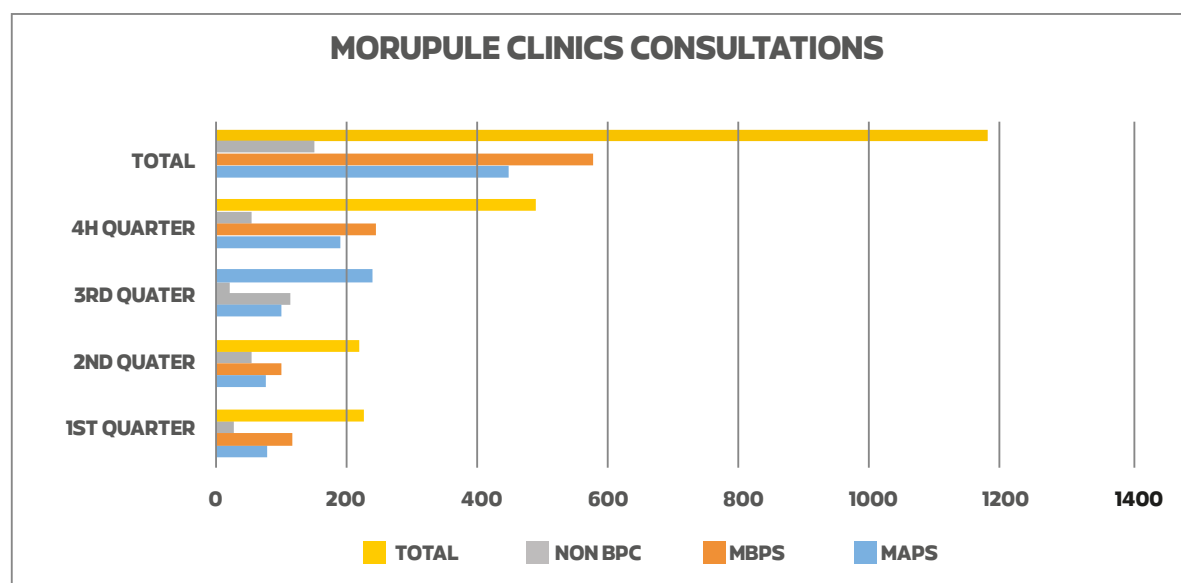
Table 2: Medical Surveillance Exercise

Type of Medical examination	No of completed medical exams
Periodic Medical exam	756
Pre-employment Medical examination	243
Post-employment medical examination	66

The Corporation conducts pre-employment and post-employment medical examinations for every staff member who is contracted by or leaves the employment of BPC. This is done to establish a health baseline of those contracted as well as to further manage those with work induced deviations.

Morupule Power clinics exist to provide primary health care services and respond to the occupational health needs of the Corporation. During the period under review, the Corporation engaged a medical doctor on a three-year contract effective February 2022, to improve the quality of healthcare as well as to avail easy access health services. Below is a representation of the clinic consultations on various medical concerns.

Figure 1: Clinic Consultations 2021/ 2022



Human Resource Department continued...

In an endeavor to manage the business risks posed by the Covid19 pandemic, the Corporation has developed and continued to implement policies, workplace protocols, and emergency response plans with detailed risk mitigation strategies and associated measures. These protocols have worked effectively as the Corporation experienced two deaths during the pandemic. The Corporation has recorded a cumulative 948 COVID-19 cases, 946 of these cases are recoveries with only one loss of life recorded during the year. The Corporation has promoted the COVID-19 vaccination program while the Morupule clinic administered these vaccines in-house. The COVID-19 curve below depicts a sharp rise in the infections within the Corporation during October 2021 which persisted until January 2022 where there was a realization of stability which is current.

HUMAN RESOURCES DEVELOPMENT AND CAREERS

Capacity Building

Employee Learning and Development continues to be an integral part of the Corporation's strategic agenda. During the Financial year 2021/22, the Corporation trained ninety-two (92) employees on short-term competency development programmes, this was done internally at the Corporation's Training Centres. Ninety-five (95) employees were trained externally by various institutions bringing the total number of employees trained during the quarter to one hundred and eighty-seven (187). The total number of employees trained by the Corporation during 2021/22 financial year totals to 472 as indicated on Figure 3 below.

Graduate Trainees

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

For the performance year under review, the Corporation had a total of 43 graduate trainees at Transmission, SHER, and Generation departments at various stages of the training programme. Out of the 43 graduate Trainees 40 have been appointed to substantive positions whilst 3 are still undergoing training.

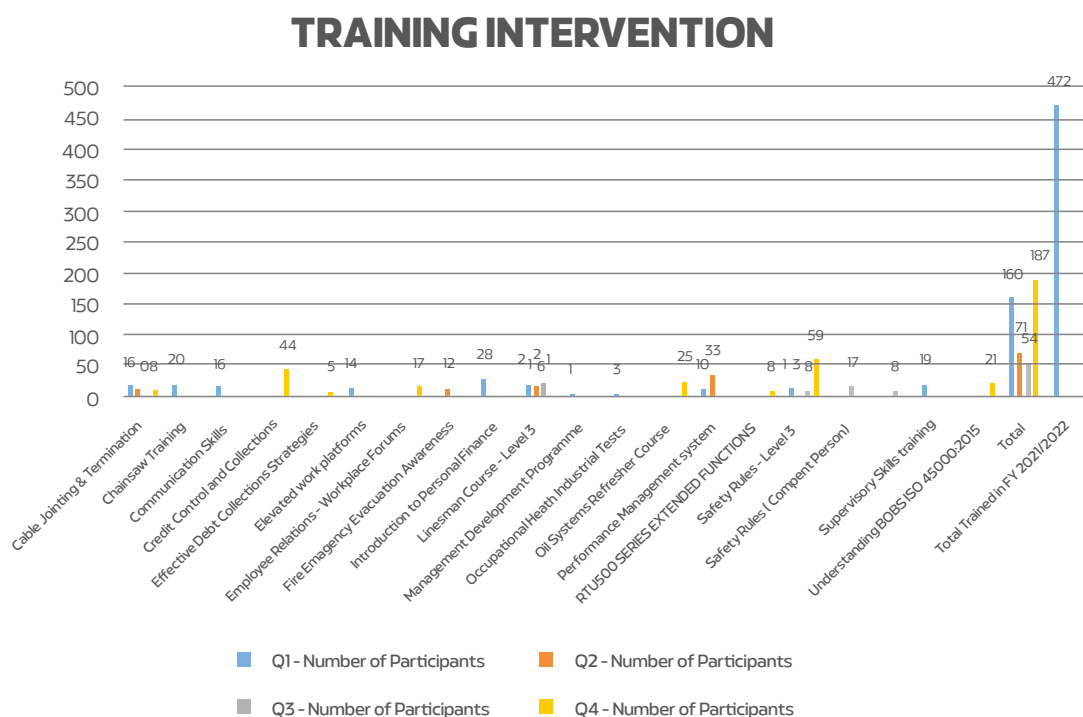
The Corporation also supports the Government's initiative of providing on-the-job training opportunities for fresh graduates who are absorbed into the organisation as Interns and offered professional mentoring and coaching. At the end of 2021/22 financial year the total number of Interns across the Corporation stood at hundred and twenty-eight (128) Interns

Leadership Development Programmes

To strengthen Leadership and Governance Capacity, the Corporation is training employees in the following Leadership Programme:

Supervisory Development Programme (SDP) targeting employees at Supervisory Level mainly with the Botswana Institute of Development and Management and the University of Botswana Management

Figure 3: Training Interventions



Human Resource Department continued...

Development Programme (MDP) targeting Middle Management Level with the Stellenbosch University Senior Management Programme (SMDP) targeting Senior Managers with Stellenbosch University. The table below shows the Leadership Development Programmes implementation rate;

TALENT MANAGEMENT AND SUCCESSION PLANNING

Implementation of the Succession Planning Policy Following the approval of the Succession Planning Policy, identification of mission critical positions & streamlining them to the current strategy was done. Departmental Succession Plans are currently being finalised. This includes identification of successors & their readiness levels. The plans are continuously being updated as and when there are changes.

Competency Gaps will continue to be monitored and managed in order to increase the Corporation's Bench Strength and reduce the Corporation's Human Resource risk. Competency gaps are addressed through structured development programmes led by the Learning and Development function.

An appointment was made at Transmission and Distribution Department as part of the succession planning initiative to the position of General Manager Morupule B Understudies

The Morupule B understudies programme is meant to ensure effective operation and maintenance of Morupule B Power Station (MBPS) after the Operations and Maintenance experts' consultancy services contracts expire. The understudies for Maintenance and

Production Department have been identified whilst the identification for the Engineering Understudy is expected to be finalised in the first quarter of FY2022/2023.

A Development Programme has been put in place for implementation thereafter finalisation of the recruitment process of the understudies in order to ensure that the identified individuals are groomed to take over the plant will then take place.

Job Profiles Review & Evaluation Project

A total of 20 employees were trained & certified competent in the use of Korn Ferry's Job Evaluation & Job Profiling methods (10 trained on Job Profiling & 10 on Job Evaluation). The 20 trained employees were appointed into their respective Committees and were allocated Job Profiles for review per department. The Job Profiles Review project started in September 2021.

Currently, 74% of Job Profiles have been reviewed & validated. In preparation for the job evaluation process, finalised Job Profiles are being sent to Line Managers to facilitate acceptance.

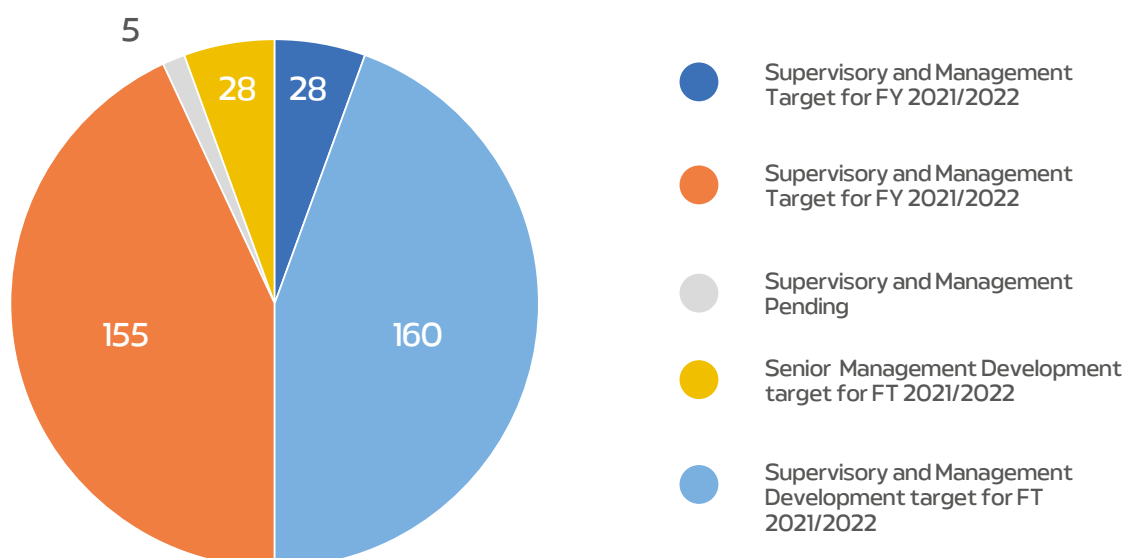
It is anticipated that the entire process would be completed by end of July 2022.

EMPLOYEE/ INDUSTRIAL RELATIONS

Management and Union Relations

The employee relations climate in BPC remains harmonious. The Corporation has entered into a Collective Labour Agreement with Botswana Power

Table 4: Leadership Development Programmes



Human Resource Department continued...

Corporation Worker's Union (BPCWU). The Union has a majority representation in the workplace, with a membership of over 1/3 of the Corporation's eligible employees as required by provisions of the law. To improve the Union/ Management Relationship, Initiatives continue to be implemented to improve relations and regular engagement with the Union. The following are some of the initiatives:

- * Training of Union's local branches undertaken - To improve local consultations and effective resolution of issues at a local level;
- * Regular consultative meetings have been held monthly instead of quarterly; and
- * A Relationship Building Initiative (RBI) has been conducted and the parties have identified problem areas in their relationship and agreed on mutually acceptable solutions.

Employee Engagement

CEO Visibility Felt Leadership

The CEO Visibility Felt Leadership across 15 Service Centres in the South, Central and Northern parts of the Country was to brief employees on several issues such as sharing the pillars of Maduo 2026 Strategy, Promote Zero harm, Zero tolerance on corruption, discussions on staff welfare issues, briefing on the success, challenges and solutions, projects to be undertaken including the Morupule B strategic initiatives on the refurbishment of the plant etc. This was also an opportunity for the employees to raise their concerns which were noted and are being addressed.

These meetings are meant to enhance transparency across reporting levels, improving employee morale through shared decision making, and opening lines of communication across all channels. The CEO will continue to visit various stations across the Corporation.

Industrial Relations Engagement

Industrial Relations function embarked on an employee engagement campaign corporate wide as part of improving employee experience. The campaign was focusing on employee education and raising awareness on key employee relations policies and other services provided by other support functions. The Action Plan Matrix for both the engagements have been developed to ensure a follow up in addressing employees' concerns.

COLLABORATION AND STRATEGIC PARTNERSHIPS

The Corporation has entered into strategic collaborations with the Francistown College of Vocational and Technical Education (FCTVE), and Informal Collaboration with the primary objective of orientating the learning and teaching Institution's curricula and research activities towards the needs of the energy industry.

The collaboration and strategic partnership with BPC is critical for knowledge and skills enhancement, innovation, and technology transfer. The Memorandum of Understanding (MOU) between BPC and FCTVE entails among other elements, the following:

- * Human Resources and Skills Transfer: BPC staff will get opportunities for training at FCTVE while FCTVE students and staff will get opportunities for attachment at BPC.
- * Shared Infrastructure: Use of FCTVE Training Institution's laboratories, facilities, and equipment by BPC, including use of the BPC infrastructure by FCTVE.
- * Curriculum Design & Academic Entrepreneurship: Joint curriculum design and development including commercialization of technologies training and development programmes.
- * Scientific Publications: Joint publication of academic materials, research projects and journals.
- * Research Partnerships: Joint arrangements for pursuing collaborative research on areas of similar interest, including research consortia and joint projects.

In addition, the MOU permits BPC to use FCTVE premises to construct a Training Yard for purposes of training employees in the northern part of the country. The Linesman training site was launched with 16 trainees undergoing training of which 3 were from FCTVE, 9 from BPC and 4 from independent contractors.

Human Resources department continues to provide policy direction and support on resourcing with competent and skilled employees, avail and ready successor candidates for mission critical positions as well as build capacity for the Corporation to realise a high-performance culture; we look forward to having impactful performance outputs in the next financial years and beyond.



SHER Department

The cornerstone of BPC's integrated SHER Management Strategy is to promote constructive stakeholder engagement with the sole intention of raising awareness around safety, health and environmental issues. Botswana Power Corporation subscribes to both local and international applicable legal, regulatory and other requirements and strives to implement international best practices such as ISO 14001:2015 and 4500:2018



Safety, Health, Environment and Risk Department

In line with Maduo 2026 transformation strategy, BPC has adopted the "Zero Harm" value to demonstrate commitment to the implementation of effective SHER programmes. The need to embrace and actualize the value is key to ensure that as a Corporation we continue to show we care and "make BPC proud again," which we need to embrace and actualize.

The foundation of BPC's integrated SHER Management plan is based on continuous improvement of our processes to deliver services at no harm to life, no financial losses, and the environment where we operate. Of key importance is to encourage all stakeholders to adhere to the Corporation's safety aspiration of zero harm. The Corporation has taken a major step to align to the newly adopted operational model enshrined in the international best practice of ISO 14001 (Environmental management systems) and ISO 45001 (Occupational Health & Safety).

The Corporation strives on finding solutions to shared concerns, which in principle will enable it to achieve the desired objectives.

The Corporation SHER policies and the BPC SHE management standard is being reviewed to position the corporation to certification processes during the implementation of the Maduo 2026 strategy. The Corporation's stance on SHER issues is simply that any harm is unacceptable and believe that workplace injuries, illnesses, damage to property and harm to the environment are preventable.

Functions of SHER Department

SHER Department as a support function plays a vital part in the BPC's corporate governance space, specifically on the application of best practice and compliance that calls for evaluation of governance structures to ascertain their level of preparedness or readiness to manage any probable risks outside and within the corporation. As such the corporation is subject to several laws and regulatory frameworks that govern its operations. The department is therefore charged with the responsibility of ensuring that the corporation complies with all applicable conditions relating to environmental compliance, as well as the health and safety of its workers and the general public through continuous monitoring and training thereto.

The department reports to the Board Audit and Risk Committee (BARC) and Board Technical Committee (BTC), and it also makes sure that corporate risk register is maintained and leads on all determinations made to identify any feasible corporation's risks and appropriate mitigation approaches are formulated and shared with all stakeholders.

Major activities done during the reporting period.

For this reporting period, financial year 2021/22, SHER Department managed to engage in some significant activities aimed at improving Safety, Health, Environment and Risk Management Standards across the Corporation.

SHER Department

continued...

- **Integrated SHE Management System Project-** In line with industry best practices and global business dynamics, the Corporation has decided to adopt a single integrated management system based on the International Standards Organization (ISO) Standards namely, ISO 14001: 2015 (Environment) and ISO 45001:2018 (Occupational Health and Safety).

BPC has been using the NOSA CMB 253 System commonly referred to as BPC SHE Performance Standards and the Safety, Health and Environment Management System (SHEMS); the latter of which is fashioned after ISO 14001:2004/2015 and OHSAS 18001: 2007. NOSA CMB 253 is the most widely used across BPC sites whilst the SHEMS is used predominantly at Morupule Power Stations.

- **Visible Felt Leadership audits were initiated** and undertaken to enable BPC management and employees to interact and engage each other on issues pertaining to SHER. The visibility felt leadership visits that were embarked on, were further used to assure employees of management's commitment to the Zero Harm Value.
- **Contractor Management** -SHER Department continues to engage with BPC service providers to establish better ways of managing the safety and health for both the worker and the public in general, as well as safe-guarding the integrity of the environment.
- Taking into consideration that Contractors have a large stake in BPC Operations, SHER Department intensified engagements with contractors across the country by holding Consultants and Contractors workshops, more frequently. Furthermore, SHER inspections and on site and awareness sessions were continuously conducted to improve on risk perception and ultimately improve safety performance of contractors. The Introduction, adoption and enforcement of BPC SHER Technical Specification Requirements for contractors' pre-qualification was also consistently carried out.
- **Environmental Management Initiatives** -BPC through the support of the SHER Department has managed to partake in the national project conducted by the Department of Waste Management of Pollution Control for stakeholders who have equipment that may possibly contain Polychlorinated Biphenyl's (PCB's), to make inventory and avail all PCB positive equipment for subsequent disposal under the Project Disposal of PCB oils contained in transformers and disposal of capacitors containing PCB in Southern Africa (GEF ID 5532), which is coordinated by Africa Institute.
- BPC has put in place a Vegetation Management Plan that offers a guideline on proper management of vegetation along powerline servitudes.

Management of vegetation within powerline servitudes in a sustainable manner requires knowledge of the various vegetation biomes, eco-regions and protected species found within Botswana.

- Review of Morupule Power Stations Environmental Management Plans to incorporate appropriate disposal of mineral wool.
- BPC has and continues to embark on rehabilitation of oil contaminated soil at various areas where there is need for such. The workforce has been and continues to be encouraged to remain proactive in safeguarding the integrity of the environment.
- Registration of plant stacks with the Department of Waste Management and Pollution Control and the salvage yard was undertaken and the company is awaiting feedback after the audit by the department
- Undertaking of Environmental Management Plans for Seronga Power Plant and Orapa Power Plant.
- Ambient air quality monitoring is being done for Morupule A and B. The monitoring station was commissioned and calibrated in Dec 2019.
- **Occupational Hygiene Programme Implementation - Surveys** were undertaken at various BPC facilities and work fronts to proactively identify and mitigate against occupational related diseases.

SHER in its drive for Zero Harm achievement benchmarks with other organisations with the view of improving its Zero Harm Golden Rules and turn them into Fatal Risk Control Protocols (FRCP) and finally embrace them as documented procedures.

To further buttress the Zero Harm culture, SHER department is now a member of Botswana Chamber of Mines where BPC competes in the inter mines annual first aid competitions. But due to the advent of COVID -19 pandemic, the event was suspended, and BPC introduced its internal CEO Safety Competitions to capacitate the workers on Safe Work processes.

- Improve on the TRIFR
- Achieve Zero occurrence of major environmental incidents and a decrease in our LTI's as compared to the previous year.
- Review Enterprise Risk Management Framework
- Undertake an Insurance Adequacy Review and develop an alternative risk financing strategy
- Develop and Implement Corporate Risk Appetites and Tolerance Statements
- Develop and Implement a Business Continuity Solution

SHER Department

continued...

GENERAL

• Commemorative days:

BPC through SHER took part in the commemoration of World Day for Safety and Health which was held in Masunga. Although the national commemorations through the ministry of Labour and Home Affairs were held in Palapye. Other BPC regions also commemorated the day at various places such as Kanye for the Southern region and Masunga for the Northern region.

The World Environment Day was also celebrated through information dissemination and awareness raising including the earth hour drive.

SHER continuous to partner with external stakeholders through Service Delivery on a joint venture with Motor Vehicle Accident Fund (MVA) and Transport & Road Safety Department to spread Road Traffic Safety messages to BPC employees.

Enterprise Risk Management

Enterprise risk management function of the corporation is part of the SHER department. It has a Superintendent reporting to the SHER Manager, who in turn reports to the CEO administratively and functionally to the Board, Audit and Risk Committee, in terms of the governance structure. The function oversees the management of enterprise-wide risks in line with the BPC Risk Assurance Framework. The framework is modelled around ISO 31000 standard and as such it is in line with the standard authority adopted by the corporation.

The ERM process is guided by the following key principles:

- **Philosophy** – The enterprise will take on a level of risk in line with its appetite for risk.
- **Culture** – BPC fosters a corporate culture which accepts informed risk-taking within a pre-determined range as fundamental to its business if risk identification, mitigation and monitoring processes are established to ensure the continuing strength of the organization.
- **Education** – BPC promotes training and risk awareness among its Board members and its employees.
- **Learning** – BPC promotes the review of past risk events to capture learning from its experiences.
- **Standards** – A common approach to risk management and reporting is in place to promote consistency and best practices in the managing, monitoring and reporting of risk including a “common language” used by the BPC in discussing risk.
- **Risk ownership** – Responsibility for ensuring the quality of data recorded in the risk register as well as risk mitigation including the performance results

of the intervention program and reporting lies with the Business/Support Units Directors.

- **Independent assurance** – BPC will obtain periodic independent assurance (i.e., Internal and External Audit Services) that systems of risk management and internal control are operating efficiently and effectively.
- **Integration** – BPC promotes the integration of risk management into everything that is done including planning, budgeting, compensation, acquisitions, dispositions, and projects.

There are five primary steps in the ERM process, as indicated in the table below. It is also important to ensure that the ERM process and risks are re-evaluated and updated on an on-going basis to reflect new information and experiences so that all significant risks are appropriately identified and addressed and that any material opportunities are not overlooked.

BPC has adopted a “bottom-up” and “top-down” approach in identifying and evaluation or assessing of risks. From the bottom, risks will be identified and evaluated or assessed where they occur in the day-to-day operations and will be captured in business unit risk registers, where appropriate. The “top” risks of the business units will, where appropriate, also be incorporated into the Corporate Risk Register which will contain the “Top Ten” risks of BPC.

The Executive Committee will take a strategic view of the identified risks and will assess from a “top-down” approach the top ten risks against BPC’s goals and objectives and business priorities. The Executive Committee will therefore also take responsibility for the management of the “Top Ten” risks.

The following risk types have been identified as key to the BPC business and they are the main risks that are managed daily:

Key Risk management Activities during the 2021/2022 financial year:

- Review of the BPC Risk Assurance Framework to be inline with the latest trend and standards
- Insurance adequacy review with an intension to develop an alternative risk solution.
- Implementation of Business Continuity Framework
- Risk Assessments in line with the objectives of the Maduo 2026 Strategy
- Review the departmental structure and roles in line with the demands of the new strategy

Corporate Secretariat Department

The mandate of the Corporate Secretariat Department is to manage the administrative aspect of the Board of Directors, provide legal advisory services to the Corporation, ensure adherence to prudent corporate governance and ensure regulatory compliance to Laws establishing the Corporation in Botswana. The Department provides secretarial support to the BPC Board, Board Committees and the Executive Committee. The Department supports the Corporation by ensuring that the interests of the Corporation are protected in all agreements and contracts with other parties.



The mandate of the Corporate Secretariat Department is to manage the administrative aspect of the Board of Directors, provide legal advisory services to the Corporation, ensure adherence to prudent corporate governance and ensure regulatory compliance to Laws establishing the Corporation in Botswana. The Department provides secretarial support to the BPC Board, Board Committees and the Executive Committee. The Department supports the Corporation by ensuring that the interests of the Corporation are protected in all agreements and contracts with other parties.

The Department further protects the rights of the Corporation as an entity by engaging legal representation in the Courts whenever required as well as providing independent legal opinion and advice. In addition, Service Level Agreements are signed with private law firms to harness their expertise in legal matters affecting the Corporation. There is a panel made up of private law firms that are allocated work as and when it becomes necessary. The Panel is reconstituted every three (3) years after floating a Public Tender to identify suitably qualified firms.

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

The Board Charter was approved by the Board and this paved way for the Department to review the Terms of Reference of other Board Committees. The reviews and Board approvals were completed during the year under review. The Department will engage the services of a qualified management consultant to conduct an assessment of the Board performance during the year under review.

The Department plans to add more value to the Corporation in the coming year by proactively engaging with the Botswana Energy Regulatory Authority (BERA) to achieve the granting of a licence to the Corporation. The licensing is intended to create a stable and predictable regulatory environment for the Corporation to operate

04.

SUSTAINABILITY

Sustainability Report

070

Sustainability Report 2022

Over the past years Botswana Power Corporation (BPC) has integrated sustainability into its strategy and decision-making. As a strategic asset of government, BPC aligns with the Botswana Government's Vision 2036 roadmap which outlines the Government's approach to address the United Nations Sustainable Development Goals (SDGs). Furthermore, Botswana's Integrated Resource plan for energy is wholly based on sustainability, reflecting how sustainability has become fundamental to the Corporation's existence.

To showcase the Corporation's passion for sustainability, this report covers the following SDG goals:

- SDG 3 Good Health and Wellbeing
- SDG 4 Quality Education
- SDG 5 Gender Equality
- SDG 7 Affordable and Clean energy
- SDG 8 Decent Work and Economic Growth
- SDG 12 Responsible Consumption and Production

SDG 3 – Good Health and Wellbeing

In line with the SDG goal 3 realization efforts, the Corporation's employee health and wellness program strives for the attainment of a work life balance amongst its employees. The provision of primary health care and occupational health services at the two Power stations' clinics reinforces the significance of a healthy workforce. The Corporation's Wellness section provides an array of wellness services which among others are: curative, psychosocial, spiritual, physical and economic services. The perseverance of the COVID-19 pandemic resulted in the Corporation having high levels of psychosocial issues, hence a significant uptake of the Corporation's Employee Assistance Program. The demand for counselling services by employees significantly increased, and this is the case even past the COVID-19 decreased infection period.

The Corporation's wellness program is premised on the following guiding instruments:

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

HIV/AIDS Interventions

The Corporation continued to provide male condoms to employees sourced from Central Medical Stores through Botswana Business Coalition on AIDS. A total of 50,700 condoms were issued country wide to mitigate HIV and STI amongst employees and the community.

Personal Finance Training

BPC strives to improve staff financial literacy through the support of external stakeholders such as banks, insurance and other independent consultants. This

is aimed at assisting staff to improve their personal financial management to avoid stress and depression which could ultimately affect their workplace performance. A total of 23 employees were identified and selected for personal finance training and coaching, this was a continuation exercise from the previous year. The identified employees had a net pay threshold of less than 40%. The training objective was to upskill them on personal finance. A total of 675 employees were reached through the in-house financial wellness sessions.

Medical surveillance and Pre and Post Employment Medical examinations.

The foundations of health risk or hazards identification and management are within the Corporation's medical surveillance program. For the Corporation to succeed in early detection of process deviations and health abnormalities, it is pertinent for it to conduct medical surveillance, as this allows mitigation and containment before the identified issues become expensive to manage. The year under review saw the medical surveillance exercise being done at Morupule and country wide as per the table below:

Type of Medical examination	No of completed medical exams
Periodic Medical exam	756
Pre-employment Medical examination	243
Post-employment medical examination	66

The Corporation conducts pre-employment and post-employment medical examinations for every staff member who is contracted by or leaves the employment of BPC. This is done to establish a health baseline of those contracted as well as to further manage those with work induced deviations.

CLINIC OPERATIONS

Morupule Power clinics exist to provide primary health care services and respond to the occupational health needs of the Corporation. During the period under review, the Corporation engaged a medical doctor on a three-year contract effective February 2022, to improve the quality of healthcare as well as to avail easy access health services. Below is a representation of the clinic consultations on various medical concerns.

Sustainability

Report 2022 continued...

COVID-19 Corporate Response

In an endeavor to manage the business risks posed by the Covid19 pandemic, the Corporation has developed and continued to implement policies, workplace protocols, and emergency response plans with detailed risk mitigation strategies and associated measures. These protocols have worked effectively as the Corporation experienced two deaths during the pandemic. The Corporation has recorded a cumulative 948 COVID-19 cases, 946 of these cases are recoveries with only one loss of life recorded during the year. The Corporation has promoted the COVID-19 vaccination program while the Morupule clinic administered these vaccines in-house. The COVID-19 curve below depicts a sharp rise in the infections within the Corporation during October 2021 which persisted until January 2022 where it was followed by some sought of stability.

Due to the nature of its business, one of the scarce skills within the Corporation is engineering, which remains a male-dominated profession. However, over the years the Corporation has devoted considerable effort to training and availing employment opportunities to females.

Almost 25% of the Executive Management team is female, an indication of BPC's continuous commitment to creating equal employment opportunities for both women and men across all levels in the Corporation.

EXECUTIVE MANAGEMENT HEADCOUNT		
FEMALE	MALE	TOTAL
3	9	12

SDG 4 Quality Education

The Corporation has over the years proven to be a responsible corporate citizen, collaborating and sponsoring different communities across the country with the intention of enhancing education in Botswana and relieving challenges facing some of the communities in which it operates. In the reporting period the Corporation undertook the following initiatives to advance education:

Botswana Power Corporation and Francistown College of Vocational and Technical Education

The Corporation has entered into strategic collaborations with the Francistown College of Vocational and Technical Education (FCTVE), a collaboration with the primary objective of orientating the learning and teaching Institution's curricula and research activities towards the needs of the energy industry.

The collaboration and strategic partnership with BPC is critical for knowledge and skills enhancement, innovation, and technology transfer.

The Memorandum of Understanding (MOU) between BPC and FCTVE entailed among other elements; permission for BPC to use FCTVE premises to construct a Training Yard for purposes of training employees in the northern part of the country.

SDG 5 Gender Equality

The Corporation recognises that gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world.

As an employer, BPC ensures equal access and opportunity to current and prospective female employees to foster gender diversity across the Corporation, which has found that empowering women spurs productivity and economic growth.

SDG 7 – Affordable and Clean energy

Increasing access to and affordability of electricity is central to the Corporation's raison d'être. Through BPC, Government supports and provides funding for the following programmes to ensure that communities have access to affordable and clean energy:

- **Rural Electrification Programme:** Funded by Government to give rural areas access to electricity, this programme plays an important role in the social and economic development of these areas.
- The Village Electrification Programme (VEP) which comprised 44 new villages and 72 network extensions was fully accomplished when the last village (Tsetseng) got commissioned during the year under review. The Corporation embarked on a new programme in February 2022 following budget approval of P50million by the Ministry of Minerals and Energy. The programme comprises 40 villages made up of 5 new villages, 12 network extensions and closing gaps in 23 villages. As at March 2022, work had already commenced and most of the villages had already been awarded to contractors.
- **Solar PV Development:** The Corporation has embarked on a renewable energy programme to develop a new energy mix which includes a 100 MW (2x50 MW) Solar plant and 12 grid-connected Small-Scale Solar PV plants located in 12 different villages. During the financial year 2021/22 BPC signed five Power Purchase Agreements (PPA) for solar PV projects.

Sustainability Report 2022 continued...

SDG 8 Decent Work and Economic Growth

The Corporation has heeded the call by the government and complies with its policies to promote citizen economic empowerment and upscale job creation.

BPC does not only provide quality jobs to Botswana nationals, it also strongly supports local businesses and entrepreneurs. Its staff complement consists predominantly of local citizens. At the end of the 2021/2022 financial year, the Corporation employed 1,908 citizens and two expatriates. This represents citizen employment of 99.8 %.

Furthermore, the Corporation provides indirect work for thousands of local citizens through the implementation of several projects. A total of 3,287 contractor employees were engaged in major projects that include rural electrification, network refurbishment and the North West transmission grid projects.

SDG 12 – Responsible Consumption and Production

Safety and Environment

BPC continues to make strides in upholding the safety of its employees and service providers, coupled with efforts to protect the biophysical environment where it operates.

The Corporation has taken a major step to align to the newly adopted operational model enshrined in the international best practice of ISO14001 (Environmental management systems) and ISO 45001 (Occupational Health & Safety).

For this reporting period, financial year 2021/22, SHER Department engaged in some significant activities aimed at improving Safety, Health, Environment and

Risk Management Standards across the corporation;

- Integrated SHE Management System Project- In line with industry best practices and global business dynamics, the Corporation has decided to adopt a single integrated management system based on the International Standards Organization (ISO) Standards namely, ISO 14001: 2015 (Environment) and ISO 45001:2018 (Occupational Health and Safety).
- Visible Felt Leadership audits were initiated and undertaken to enable BPC management and employees to interact and engage each other on issues pertaining SHER. The visibility felt leadership visits that were embarked on, were further used to

assure employees of management's commitment to the Zero Harm Value.

- Contractor Management -SHER Department continues to engage with BPC service providers to establish better ways of managing the safety and health for both the worker and the public in general, as well as safe-guarding the integrity of the environment.
- Environmental Management Initiatives -BPC through the support of the SHER Department has managed to partake in the national project conducted by the Department of Waste Management of Pollution Control for stakeholders who have equipment that may possibly contain Polychlorinated Biphenyl's (PCB's), to make inventory and avail all PCB positive equipment for subsequent disposal under the Project Disposal of PCB oils contained in transformers and disposal of capacitors containing PCB in Southern Africa (GEF ID 5532), which is coordinated by Africa Institute.
- Vegetation Management Plan - BPC has put in place a Vegetation Management Plan that offers a guideline on proper management of vegetation along powerline servitudes. Management of vegetation within powerline servitudes in a sustainable manner requires knowledge of the various vegetation biomes, eco-regions and protected species found within Botswana.
- Review of Morupule Power Stations Environmental Management Plans to incorporate appropriate disposal of mineral wool.
- BPC has and continues to embark on rehabilitation of oil contaminated soil at various areas where there is need for such. The workforce has been and continues to be encouraged to remain proactive in safeguarding the integrity of the environment.
- Registration of plant stacks with the Department of Waste Management and Pollution Control and the salvage yard was undertaken and the company is awaiting feedback after the audit by the department
- Undertaking of Environmental Management Plans for Seronga Power Plant and Orapa Power Plant.
- Ambient air quality monitoring is being done for Morupule A and B. The monitoring station was commissioned and calibrated in Dec 2019.
- Occupational Hygiene Programme Implementation - Surveys were undertaken at various BPC facilities and work fronts to proactively identify and mitigate against occupational related diseases.

05. GOVERNANCE

Corporate Governance Statement

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Corporate Governance Statement

The Corporation is committed to the highest standards of business integrity, ethical values and professionalism in all its activities. The Corporation places a strong emphasis on achieving and upholding the highest principles of business ethics and corporate governance. The Corporation recognises that adhering to sound principles of corporate governance is key to earning and maintaining stakeholders' trust and achieving its performance goals.

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

- The King IV Code;
- The Botswana Power Corporation Act [Cap 74:01] (the BPC Act);
- The International Financial Reporting Standards

BPC's approach to corporate governance ensures that:

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

COMPLIANCE STATEMENT

The Corporation is subject to enquiries, requests for information, audits, investigations, legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to), compliance with legislation and regulations, electricity generation activities and other areas of business activities in which the Corporation operates. The decisions and actions taken by the Board ensure that the Corporation subscribes to full compliance with applicable laws, regulations and governance practices. This function is delegated to the Board Audit and Risk Committee. During the financial year, the Corporation did not receive any adverse assessments regarding compliance with the requirements of the legislations and regulations governing the electricity subsector. Notwithstanding the above, the Board Audit and Risk Committee noted that the Corporation is partially compliant with legislation and regulations as Sulphur emissions during the year were above set standards however, measures were put in place to remedy the situation and data protection actions plans were being implemented to comply with the Data Protection Act. The said Committee was satisfied that satisfactory plans were put in place to ensure compliance by the Corporation.

BOARD ORGANISATION AND STRUCTURE

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

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

COMPOSITION OF THE BOARD

The Minister of Minerals and Energy appoints the BPC Board Members, in terms of section 4 of the BPC Act. The Board is responsible for setting the direction of the Corporation's strategic affairs. Botswana Power Corporation has a unitary board structure, where the Board is comprised of exclusively non-executive members, the BPC Act presently prohibits an employee of the Corporation from being a director on the Board, however, the Corporation is working on amending the above stated Act. Eight (8) of the members, inclusive of the Chairman, are independent non-executive directors and one is a non-executive and non-independent director, who is an employee of the parent Ministry. This board structure ascertains that the Board maintains a high level of objectivity and independence in Board deliberations and resolutions. The CEO is entitled to attend meetings of the Board and participate in its discussions.

Conforming to the dictates of the King (IV) Code of Governance for South Africa 2016, which is accepted by the Corporation as a sound and robust benchmark for best corporate governance practice, the roles of Board Chairman and the Chief Executive Officer are separate, with a clear role distinction and division of duties.

The Board members are experts in various fields including but not limited to: engineering, project management, human resources, ICT, audit, risk management finance and law. This ensures that the strategic direction provided by the Board to the Corporation is diverse, knowledgeable, vigorous and sound.

The Board is committed to development on corporate governance matters. In this Annual Report:

Executive Management means Senior Managers, who are employees, that are involved in the day-to-day management of the Corporation;

Non-Executive Directors are Directors who may be nominees or representatives of the shareholder; and

Independent Non-Executive Directors are directors who are neither involved in the daily management of the Corporation, nor are they nominees or representatives of the shareholder.

Corporate Governance Statement continued...

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

Member	Position	Date of Appointment	End of Tenure
Prof. Oboetswe Motsamai	Independent Non- Executive Chairman	01 April 2019	31 March 2023
Ms. Lillian Lilly Sullivan	Independent Non- Executive Director	01 April 2021	31 March 2025
Mr. Pelaelo Khowe	Non-Independent Non- Executive Director	01 April 2019	31 March 2023
Ms. Cheryl Rabashwa	Independent Non- Executive Director	01 April 2021	31 March 2025
Mr. Phodiso Valashia	Independent Non- Executive Director	01 April 2021	31 March 2025
Mr. Robert Akanyang	Independent Non- Executive Director	01 April 2021	31 March 2025
Mr. Moreri Sebonego	Independent Non- Executive Director	01 April 2021	31 March 2025
Mr. Mothusi Obateng	Independent Non- Executive Director	01 April 2021	31 March 2025
Mr. Moleko Majaha	Independent Non- Executive Director	01 April 2021	31 March 2025

Board Meetings

The Board meets at least four times annually to discuss matters relating to, amongst other things; strategy and performance, financial position, audit and risk management, human resource matters, sustainability and governance. Members contribute to strategy formulation as well as monitoring and measuring the Corporation's performance and its executive management against key performance indicators.

Board Committees

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

These Committees' respective Terms of References detail the Committees responsibilities and powers, are as follows;

Board Finance and Investment Committee

The Committee assists the Board's governance of the integrity of the Corporation's financial statements, systems and/or records. This Committee also considers and advises the Board on all Finance matters such as the investment of surplus funds generated by the Corporation and the Corporation's financial strategy and objectives. In addition, BFIC reviews the expertise, resources and experience of the company's finance function.

Chairperson: Mr. Phodiso Valashia - Independent Non- Executive Director
Members: Mr. Pelaelo Khowe - Non- Independent Non Executive Director
 Ms. Cheryl Rabashwa - Independent Non- Executive Director
 Mr. Mothusi Obateng - Independent Non- Executive Director

Board Audit and Risk Committee

The Committee is comprised solely of independent non-executive Directors. The Committee assists the Board with the oversight of;

- The integrity of the Corporation's financial statements, systems and and/or records;
- Effective risk management and internal control systems;
- The Corporation's compliance with legal and regulatory requirements;
- The annual independent audit process including engagement of the external auditor and receiving all reports and Management letter from the Auditor;
- The performance of the Corporation's Internal Audit Corporate Support Unit; and
- The appointment and supervision of the General Manager Internal Audit.

Chairperson: Mr. Mothusi Obateng - Independent Non- Executive Director
Members: Mr. Moreri Sebonego - Independent Non- Executive Director
 Ms. Lilly Sullivan - Independent Non- Executive Director
 Mr. Phodiso Valashia - Independent Non- Executive Director

Corporate Governance Statement continued...

Board Procurement and Tender Committee

The Board Procurement and Tender Committee (BPTC) is responsible for adjudication and approval of tenders for the procurement of the Corporation's requirements for goods and services above the limits prescribed to Management by the Board. In addition, the BPTC has responsibility to monitor compliance to BPC Tender Regulations, maintain the Tender Regulations in an up-to-date status according to international standards best practice and monitor progress on implementation of approved tenders and related projects. The BPTC ensures that Corporation complies with the Economic Diversification Drive (EDD) and Citizen Economic Empowerment (CEE) Policies in all its procurement. As at the publication of the Annual Report, the BPTC was dissolved by operation of law, the Public Procurement Act, which empowers the Accounting Officer (the CEO) to oversee, manage and approve all procurement of the organisation.

Chairperson: Mr. Robert Akanyang - Independent Non- Executive Director
Members: Mr. Moleko Majaha - Independent Non- Executive Director
 Mr. Pelaelo Khowe - Non- Independent Non- Executive Director
 Mr. Moreri Sebonego - Independent Non- Executive Director
 Mr. Mothusi Obateng - Independent Non- Executive Director

Board Human Resources Committee

The Board Human Resources Committee's mandate is to assist the Board in oversight of;

- The Corporation's human resources policies, strategies and plan including but not limited to, remuneration and benefits for the Corporation's employees including long term incentive plans, and retention targets and plans;
- The appointment of Executive Management;
- The Corporation's Performance Management System;
- The Human Resources strategy for the Corporation

Chairperson: Ms. Cheryl Rabashwa - Independent Non- Executive Director
Members: Mr. Phodiso Valashia - Independent Non- Executive Director
 Ms. Lilly Sullivan - Independent Non- Executive Director
 Mr. Robert Akanyang - Independent Non- Executive Director

Board Technical Committee

The Board Technical Committee assists the Board's oversight on the Corporation's functions of the generation, transmission, distribution and supply of electricity in Botswana including but not limited to energy projects for the acquisition or supply of electricity, contacts for the development of power infrastructure and agreements for grid connections and wheeling of electricity (transmission use of system). The Board Technical Committee is responsible for the approval of the budget for Capital Expenditure Projects. The Committee is also responsible for oversight of Corporation's Corporate Strategy.

Chairperson: Mr. Moleko Majaha - independent non-executive director
Members: Mr. Pelaelo Khowe - non independent non-executive director
 Mr. Robert Akanyang - independent non-executive director
 Ms. Lilly Sullivan - independent non-executive director

Board Ad-hoc Committees

The Board appoints Ad-hoc Committees as and when necessary to consider specific issues before submission to the Board for a final decision. The Board determines the terms of reference of such committees as and when necessary. The Board Procurement Complaints and Appeals Committee sits to consider and rule on complaints and appeals raised by bidders. The above-said Committee ceased to exist after 14 April 2022 following the commencement of the Public Procurement Act.

Board of Directors' Declaration of Interest

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

Corporate Governance Statement continued...

Board Secretary

The Board Secretary, Ms. Kusigani Mbambo, was appointed with effect from 1 November 2020 in terms of the BPC Act. The Board Secretary is a qualified attorney with over 16 years of experience. The Board Secretary is responsible for providing guidance to the Board of Directors on their duties, responsibilities and powers. The Board Secretary advises on corporate governance, legal matters and statutory compliance. The said function reports to the Board functionally and to the Chief Executive Officer administratively.

Member	Ordinary Board Meeting	Special Board Meeting	Other Board Assignments	Board Finance and Investment Committee	Board Audit and Risk Committee	Board Procurement and Tender Committee	Board Human Resources Committee	Board Technical Committee	Board Procurement Complaints and Appeals Committee
Prof. Oboetswe Motsamai	4/4	4	26	-	-	-	-	-	1
Ms. Lillian Lilly Sullivan	4/4	2	8	-	4/5	-	3/4	2/5	1
Mr. Pelaelo Khowe	4/4	3	27	4/5	-	12	-	4/5	-
Ms. Cheryl Rabashwa	4/4	4	9	4/5	-	-	4/4	-	1
Mr. Phodiso Valashia	4/4	4	15	5/5	4/5	-	3/4	-	1
Mr. Robert Akanyang	3/4	4	13	-	-	14	4/4	5/5	-
Mr. Moreri Sebonego	3/4	3	16	-	4/5	9	-	-	-
Mr. Mothusi Obateng	4/4	3	13	5/5	5/5	11	-	-	-
Mr. Moleko Majaha	3/4	4	17	-	-	13	-	5/5	-

REMUNERATION REPORT

Members of the Board and its Committees are paid a sitting allowance as set out in the Revised Categorisation and Sitting Allowances for Statutory/Non-Statutory Boards/Councils/Committees (effective 1st April 2017).

The categorisation sets the remuneration of the Directors as per table below:

ROLE	Allowance per Meeting (BWP)
Board Chairman	2,250
Board Member	1,800
Committee Chairperson	2,250
Committee Member	1,800

Corporate Governance Statement continued...

Total Directors' Remuneration for the year under review is as follows:

Member	Position	Total Sitting Allowance Earned (BWP)
Prof. Oboetswe Motsamai	Board Chairman	78,750
Ms. Lillian Lilly Sullivan	Independent Non- Executive Director	43,200
Mr. Pelaelo Khowe	Non-independent Non Executive Director	97,200
Ms. Cheryl Rabashwa	Independent Non- Executive Director	49,050
Mr. Phodiso Valashia	Independent Non- Executive Director	67,050
Mr. Robert Akanyang	Independent Non- Executive Director	83,700
Mr. Moreri Sebonego	Independent Non- Executive Director	63,900
Mr. Mothusi Obateng	Independent Non- Executive Director	76,050
Mr. Moleko Majaha	Independent Non- Executive Director	77,850

Executive Management Team Remuneration

Executive Management Member	Position	Total Remuneration (Amount In Pula)	
Mr. David S. Kgoboko	Chief Executive Officer	2,309,142	
Mr. Oaitse Ramasedi	Chief Financial Officer	1,129,198	
Mr. Letlhogonolo M. Bantsi	General Manager Human Resources	1,129,198	
M. Edward S. Rugoyi	General Manager Generation	1,330,067	
Mr. Emmanuel Bopadile	General Manager Internal Audit	2,310,099	Inclusive of Gratuity paid during the year for the 5-year contract that ended in December 2021.
Mr. Bojosi Gaothuse	General Manager Transmission & Distribution	1,547,260	Inclusive of Gratuity paid during the year for the contract that ended in March 2022.
Ms. Kusigani Mbambo	General Corporate Counsel	1,125,998	
Mr. Zwelithini Witbooi (Resigned 13 April 2021)	General Manager Generation	2,849,803	Inclusive of Gratuity paid during the year for the contract that ended in March 2021.

Corporate Governance Statement continued...

Internal Controls

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

Whilst internal control systems cannot provide absolute assurance against material misstatements or loss, the Corporation's systems are designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Corporation maintains a Whistle-blowing line that enables employees and the public to report any matters related to corrupt activities or unethical conduct anonymously.

Internal Audit function

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

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

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

Internal Audit is also expected to advise the Board whether the Corporation's framework of risk management, internal control and governance processes, as designed by Management, is adequate and

functioning. Internal Audit has an Internal Audit Charter setting out the independence of the function, which has been adopted by the Audit and Risk Committee and approved the Board.

The Internal Audit function enables the Corporation to accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In performing its duties, Internal Audit is principally guided by the Institute of Internal Auditors' professional practice framework, King IV and other relevant standards in undertaking Internal Audit responsibilities

The Internal Audit Charter places considerable emphasis on:

- Independence of the Internal Audit function
- Integrity and professionalism within internal audit
- Risk-Based Internal Auditing. The Internal Audit function follows a risk-based methodology to develop the annual audit plan, which is reviewed and approved by the Audit and Risk Committee. The Chairperson of the Audit and Risk Committee appraises the Board on the duties of the Internal Audit function on quarterly basis. All the work is conducted by appropriately qualified and experienced team members and follows the Institute of Internal Audit Standards. To improve agility and efficiency, the Internal Audit function has invested more on the use of technology (Computer Aided Audit Tools (CAATs). The increased use of data analytics tools has enabled the function to perform robust audit tests and timely sharing of audit results with meaningful insights. As the business shifts towards digital transformation, the function has also improved ways of tapping into the digital world through the use of robotics. A summary of audit results, progress against delivery of the audit plan and progress in closing both Internal and External Audit findings items are presented bi-weekly to Executive Management and quarterly to the Audit and Risk Committee. The Committee actively reviews the Internal Audit submissions and appraises the Board accordingly. Through the anonymous tip-off line managed by Deloitte, Internal Audit investigates all reported cases and conveys findings and recommendations to the Managing Director and the Audit and Risk Committee.

Safety, Health, Environment and Risk Management

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

The Corporation maintains dedicated lines that enable the public to report unsafe or hazardous equipment to enhance safety.

Corporate Governance Statement continued...

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

Code of Conduct and Ethics

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

Compliance with Laws and other legal requirements

The Board is cognisant of its responsibility and is explicitly committed to upholding ethical behaviour in conducting its

business. The Board, through the Corporate Secretariat Department, endeavours to ensure that the Corporation complies with the laws and regulations of Botswana.

APPLICATION OF THE KING IV CODE PRINCIPLES 2022

The Corporation is moving towards complying with the principles of King IV. The Board is satisfied with the Group's progress in applying the recommendations of King IV and the other codes used in the countries in which the Group operates. Sixteen of the governance principles in King IV apply to our business. The following is a summary of our evaluation of our compliance with the Code:

King IV Reference	King IV Principle	Applied	Commentary
Principle 1	The Board should lead ethically and effectively.	Partly Applied	The Board is the focal point and custodian of corporate governance as per the Board and Committee Charters. Board members are required to comply with the Board Charter, which embodies the ethical characteristics listed in King IV. The Board and Committee Charters set the tone and outline the responsibility of the Board to ensure that BPC is ethically and effectively managed. The Charters are reviewed every three years. The Board will review the Charters during the year 2022/23 to align the review period with the King IV recommended yearly review.
Principle 2	The Board should govern the ethics of the company in a way that supports the establishment of an ethical culture.	Partly Applied	The Board has not specifically delegated the responsibility for governance of ethics to any of its committees, however, the Board Secretary reports on matters of governance to the Board Audit and Risk Committee (BARC).

Corporate Governance Statement continued...

Principle 3	The Board should ensure that the company is and is seen to be a responsible corporate citizen.	Partly Applied	<p>The Board assumes and accepts the responsibility for responsible corporate citizenship.</p> <p>The Board supports the Government of Botswana in the implementation of its citizen economic empowerment, local procurement, economic diversification policies, and local preference scheme by ensuring that the Corporation implements the appropriate procurement processes. The Board assesses and approves the Corporation's environmental management plans.</p> <p>The Corporation has registered a Trust, the Botswana Power Corporation Foundation (BPC Foundation) which will manage the Corporation's Corporate Social Responsibility programme. The Corporation will present the BPC Foundation to the Board for approval during 2022/23.</p>
Principle 4	The Board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Applied	The Board approves and monitors the implementation of the Corporation's strategy and business plans. The Board holds an annual strategy session, at which it deliberates on the Corporation's strategy, assesses the risks and opportunities, considers progress made the implementation of the strategy and ensures that it is in line with Corporation's mandate and long-term success and sustainability of the business.
Principle 5	The Board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance, and its short, medium and long-term prospects.	Applied	<p>The Board oversees and ensures, through an effective control environment, appropriate management structures and a robust assurance framework, that all external communication and reports are issued in compliance with legal requirements and meet the legitimate and reasonable information needs of material stakeholders.</p> <p>The Board, through the Board Audit and Risk Committee, assumes and accepts the responsibility for the Corporation's financial reporting and sets the direction for how it should be approached and conducted.</p>
Principle 6	The Board should serve as the focal point and custodian of corporate governance in the company.	Applied	The Board has adopted a charter which defines its functions, roles and responsibilities and separates it from the role of management.

Corporate Governance Statement continued...

Principle 7	The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Partly Applied	<p>The BPC Board has nine (9) members and is specifically constituted in terms of expertise and collective skills required for steering the Corporation to achieve its mandate.</p> <p>The majority of the Board members, including the Chairman, are considered independent directors.</p> <p>The Board Chairman and Members are appointed by the Minister of Minerals and Energy who has the ultimate discretion for a succession plan.</p>
Principle 8	The Board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties	Partly Applied	<p>The Board has a committee structure with clear and specific terms of reference for each committee. The committee structure and the relevant terms of reference are reviewed every three years. The Board believes this structure ensures effective decision making, discharge of duties, independent judgement and takes into consideration the complex and changing environment within which the Group and the Board are operating.</p> <p>The current Board committees are:</p> <ul style="list-style-type: none"> • Board Audit and Risk Committee (BARC) • Board Technical Committee (BTC) • Board Finance and Investment Committee (BFIC) • Board Human Resources Committee (BHRC) <p>The Board will review the committees' terms of reference during 2022/23 to align the review period to the yearly interval recommended by King IV.</p>
Principle 9	The Board should ensure that the evaluation of its own performance and that of its committees, its chairman and its individual members, support continued improvement in its performance and effectiveness.	Not Applied	The current Board was appointed on 01 April 2021 and completed its first year on 31 March 2022. A formal Board assessment will be performed by an external competent service provider and the results will be presented to the Board.
Principle 10	The Board should ensure that the appointment	Applied	The Board has delegated authority to the CEO to run the day-to-day affairs of the Corporation in line with the Delegation of Authority framework, which sets out authority thresholds and governs sub-delegation. However, the Board retains overall accountability for the Corporation's matters.

Corporate Governance Statement continued...

Principle 11	The Board should govern risk in a way that supports the company in setting and achieving its strategic objectives.	Applied	<p>The Board, with support from BARC, is responsible for the governance of risk. The role of BARC is to ensure that the Corporation implements an effective risk management framework that enhances the Corporation's ability to achieve its strategic objectives. The BARC is also responsible for the development and implementation of the Enterprise Risk Management Framework including the policies, systems, and processes needed to ensure effective risk governance.</p> <p>In line with King IV, the internal audit function reports directly to the BARC. The BARC approves a risk based internal audit plan at the beginning of each year and ensures that the internal audit function has adequate resources, budget standing and authority to enable it to discharge its functions.</p> <p>The General Manager Internal Audit has a functional reporting line to the Board Audit and Risk Committee, and administratively reports to the Group CEO.</p>
Principle 12	The Board should govern technology and information in a way that supports the company setting and achieving its strategic objectives.	Applied	<p>The Board recognises the importance of technology and information as it is interrelated to the strategy, performance and sustainability of the Corporation.</p> <p>The Board has delegated oversight responsibility to BARC. The BARC ensures that IT is aligned to the Corporation's strategic objectives.</p> <p>The IT Governance Framework and the Enterprise Risk Management frameworks of the Corporation include the assessment and management of all significant IT risks. IT risk management includes disaster recovery planning, cyber security, system implementation of operational controls/ policies, IT legal risks and compliance with laws, rules, codes, and standards and are an integral part of the Corporation's risk management.</p> <p>The BARC reviews IT risks and controls, adequacy of business continuity management, including disaster recovery plans for IT, information security, privacy, and authorized access.</p>

Corporate Governance Statement continued...

Principle 13	The Board should govern with applicable laws and adopt non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen.compliance	Applied	<p>The Board, with assistance from the BARC, oversees the governance of compliance. Compliance falls within the risk matrix and forms part of the business risk management process. Through the BARC, the Board can address the legal and compliance requirements of the Corporation. The legal and compliance update is a standing agenda item of the BARC; during which the Board is apprised on legal and compliance risk.</p> <p>Applicable laws are reported to the Board, via the BARC, by the legal and compliance function. Any new legislation or rules which affect the Corporation are notified to the Board, advising on the legal requirement applicability and how the rules are being disseminated to the applicable areas of business which are impacted.</p>
Principle 14	The Board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Applied	<p>The Board, with assistance from the BHRC, ensures that staff members are remunerated fairly, responsibly, transparently, and in line with industry standards to promote the creation of value in a sustainable manner. The Corporation participates in annual remuneration surveys for the purposes of benchmarking and also provides performance-based short and long-term remuneration incentives to attract, incentivise, and retain good performers as part of the overall alignment of the Corporation's objectives. The remuneration of each individual non-executive director' is included in this Annual Report.</p>
Principle 15	The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the company's external reports.	Applied	<p>In line with its charter, the BARC ensures that the combined assurance received from the external and internal auditors is appropriate to address all the significant risks facing the Corporation.</p> <p>The BARC monitors and supervises the effectiveness of the internal audit function and ensures that the roles and functions of external audit and internal audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the company's systems of internal control and reporting.</p> <p>The BARC recommends to the Board which firm(s) should be appointed in the event of a change of external auditor(s), their reappointment, and/or removal. The committee also evaluates the performance of the external auditor(s) and the engagement partner is rotated as per the requirements of the appropriate legislation.</p>

Corporate Governance Statement continued...

Principle 16	In the execution of its governance role and responsibilities, the Board should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time.	Partly Applied	The Strategy and Transformation Manager acts as the primary contact for the shareholder, Ministry of Minerals and Energy (Government of Botswana). Other stakeholders are engaged through the Corporation's functions whose roles are directly related to the stakeholder.
Principle 17	The Board of an institutional investor company should ensure that responsible investment is practiced by the company to promote good governance and the creation of value by the companies in which it invests.	Not Applicable	The principle is not applicable as BPC is not an institutional investor.

06.

ANNUAL FINANCIAL STATEMENT

General Information

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Financial Statements

BOTSWANA POWER CORPORATION

General Information

31 March 2022

MEMBERS OF THE BOARD

	Date of Appointment
Prof O S Motsamai (Chairman)	1st April 2019
P. Khowe	1st April 2019
M. Sebonego	1st April 2021
R. Akanyang	1st April 2021
L. Sullivan	1st April 2021
M. Majaha	1st April 2021
P. Valashia	1st April 2021
M. Obateng	1st April 2021
C. Rabashwa	1st April 2021

EXECUTIVE MANAGEMENT

D. Kgoboko	Chief Executive Officer
O. Ramasedi	Chief Financial Officer
E. Rugoyi	General Manager Generation
L. Bantsi	General Manager Human Resources
E. Bopadile	General Manager Internal Audit
B. Gaothuse	General Manager Transmission and Distribution
C. Stoop	General Manager- Projects
D. Seleke	Marketing and Communication Manager
A. Moncho	SHER Manager
L. Moeng	Strategy and Transformation Manager
K. Mbambo	General Corporate Counsel/Board Secretary

NATURE OF BUSINESS

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

AUDITORS

PricewaterhouseCoopers
P O Box 294
Gaborone

BANKERS

First National Bank of Botswana Limited
Access Bank of Botswana
Absa Bank of Botswana Limited
Standard Chartered Bank Botswana Limited
Stanbic Bank Botswana Limited

ATTORNEYS

Armstrongs	Minchin and Kelly	Lawrence Khupe Attorneys	Moribame Matthews Attorneys
P O Box 1368	P O Box 1339	P O Box 4888	P O Box 46271
Gaborone	Gaborone	Gaborone	Gaborone

STATEMENT OF RESPONSIBILITY AND APPROVAL OF FINANCIAL STATEMENTS BY THE MEMBERS OF THE BOARD 31 MARCH 2022

Responsibility statement by the Members of the Board

The Members of the Board are responsible for the preparation and fair presentation of the financial statements of Botswana Power Corporation (the „Corporation“), comprising the statement of financial position as at 31 March 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (“IFRS”).

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

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

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

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

The Members of the Board are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for

the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Members of the Board of the Corporation are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to the Government of Botswana (through the Honourable Minister of Minerals and Energy).

The external auditors are responsible for independently reviewing and reporting on the Corporation’s financial statements and their report is presented on pages 091 to 097.

Disclosure of audit information

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

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

Going Concern

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

Approval of the financial statements by Members of the Board

The financial statements set out on pages 99 to 153, which have been prepared on the going concern basis, were approved by the Board on 29 August 2022 and were signed on its behalf by:



Prof O.S. Motsamai
(Chairperson of the Board)



Mr Mothusi Obateng
(Member of the Board)



Independent auditor's report

To the Minister of Minerals and Energy

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Power Corporation (the "Corporation") as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Botswana Power Corporation's financial statements set out on pages 99 to 153 comprise:

- the statement of financial position as at 31 March 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Material uncertainty relating to going concern

We draw attention to Note 43 in the financial statements, which indicates that the Corporation incurred a net loss of P650,380,000 (2021: P384,134,000) for the year ended 31 March 2022 and, as of that date, the Corporation's current liabilities exceeded its current assets by P 3,435,354,000 (2021: P2,911,672,000). These events or conditions, along with other matters as set forth in Note 43, indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers, Plot 64289, Tlokweng Road, Gaborone, Botswana P O Box 294, Gaborone, Botswana

T: (267) 370 9700, www.pwc.com/bw

Country Senior Partner: RBinedell

Partners: A S Edirisinghe, ID Molebatsi, S K K Wijesena



Independent auditor's report continued...

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty relating to going concern* section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of trade and other receivables and consumer loans</p> <p>At 31 March 2022, the Corporation recognised expected credit loss ("ECL") allowances of:</p> <ul style="list-style-type: none"> P96,262,000 (2021: P101,293,000) with respect to consumer loans provided under the Corporation's hire purchase scheme (the "HPS receivables") (note 16 to the financial statements); P86,160,000 (2021: P90,601,000) with respect to consumer loans under the National Electrification Standard Cost scheme (the "NESC receivables") (note 20 to the financial statements); P113,544,000 (2021: P165,020,000) with respect to trade receivables for electricity sales (note 22 to the financial statements); and P96,162,000 (2021: P66,470,000) with respect to small work contractor receivables (the "SWC receivables") (note 22 to the financial statements). <p>The Corporation measures the allowance for impairment of trade receivables and consumer loans in accordance with the requirements of IFRS 9 - Financial Instruments ("IFRS 9").</p> <p>Trade and other receivables</p> <p>The Corporation recognises lifetime ECLs for trade receivables and SWC receivables. These have been assessed using a provision matrix, which groups customers with shared credit risk characteristics and days past due and applying expected loss rates to the groupings.</p>	<p>Our audit procedures included the following:</p> <p>We assessed the accounting policies relating to the trade receivables and consumer loans and found these to be in accordance with the requirements of IFRS 9.</p> <p>Trade and other receivables</p> <p>We assessed the Corporation's ECL provision matrix against the requirements of IFRS 9 and found the model to be consistent with these requirements.</p> <p>We tested the historical data used in the ECL provision matrix as at 31 March 2022 by agreeing this to supporting documents, calculations and other audited information. We found no material exceptions.</p> <p>We assessed the segmentation of customers utilised in the ECL provision matrix based on our understanding of the nature and related risk profiles of the Corporation's customers and found the Corporation's segmentation to be reasonable based on our understanding of the business and counterparties.</p> <p>We compared the actual value of accounts going into default from 31 March 2022 to 30 June 2022 to the value forecasted by the Corporation's ECL provision matrix and found no material differences.</p>



Independent auditor's report continued...

Key audit matter	How our audit addressed the key audit matter
<p>The Corporation exercises judgement in assessing ECL, specifically in relation to determining the expected loss rates used in the provision matrix and segmentation of customers by risk profile. Expected loss rates are determined based on historical losses adjusted to reflect current and forward looking macroeconomic factors, where relevant, affecting the customers' ability to settle the outstanding amount.</p> <p>Consumer loans</p> <p>The Corporation applies the general approach to impairment of consumer loans (which includes NESC receivables and HPS receivables), with life ECLs only recognized when there is a significant increase in a credit risk. This has been assessed using an impairment model taking into account probabilities of defaults ("PDs"), Exposure at Default ("EDA") and loss given default (LGD").</p> <p>PDs are determined based on historical default rates adjusted for forward looking macroeconomic factors, where relevant and LGD is determined based on historical post default recoveries (which were considered to be insignificant).</p> <p>The ECL impairment assessment of trade receivables and consumer loans was considered to be a matter of significance to the current year audit due to the judgement applied by Corporation.</p> <p>Disclosures with respect to the application of IFRS 9 determining the allowance for ECLs are contained in:</p> <ul style="list-style-type: none"> • Summary of significant accounting policies Financial instruments: IFRS 9 – impairment of financial assets; • Summary of significant accounting policies; key sources of estimation uncertainty - impairment of consumer loans and trade receivables; and • Note 16 consumer loans – hire scheme, note 20 consumer loans -NESC, Note 22 - Trade and other receivables 	<p>We formed an independent assessment of the expected loss rates and ECL allowance, including consideration of current and forward looking macroeconomics factors, and compared our outcome against those of the corporation. We did not find material differences between our estimates and those of the Corporation.</p> <p>Consumer loans</p> <p>We assessed the Corporation's ECL impairment model against the impairment requirements of IFRS 9 and found the model to be consistent with these requirements.</p> <p>We compared the observable data underpinning the PD calculation as at 31 March 2022 to relevant data sources and found no material exceptions.</p> <p>We tested the mathematical accuracy of the Corporation's ECL model and found no material exceptions.</p> <p>We challenged assumptions and judgements made by the Corporation through discussion with management, comparison to relevant information and knowledge of operations as gained through our audit in determining PD, LGD, EAD and application of forward looking macroeconomic factors and found these to be reasonable.</p>



Independent auditor's report continued...

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of assets</p> <p>The Corporation carries a significant asset base in its statement of financial position. International Accounting Standards 36 – Impairment of assets (“IAS 36”) requires the corporation to perform an impairment assessment on the assets should any indicators of impairment exist.</p> <p>The continued negative economic impact of COVID-19 measures, previous operating losses incurred by the Corporation as well as construction and the equipment defects in the Morupule B plant for which remedial work is currently underway and the plant not being operated at its optimal capacity indicated a possible impairment of the Corporation’s asset base.</p> <p>Accordingly, the Corporation performed an impairment assessment on a value-in-use basis using a discounted cashflow estimation model. The model outcome is most sensitive to the following key estimates and judgements:</p> <ul style="list-style-type: none"> • Average utilisation of the power plants as a percentage of the (installed) capacity; • Expected growth in effective tariff rate; • Increase in domestic costs; • Expected refurbishment costs; and • Discount rate. <p>Based on the Corporation’s estimate, the value-in-use exceeded the carrying amount of the assets and accordingly – no impairment provision was accounted for.</p> <p>The impairment assessment of assets was considered to be a matter of significance to our audit due to the level of judgement applied and estimates made by management in determining future cash flows and an appropriate discount rate.</p> <p>Refer to the following disclosures in the financial statements for details:</p> <ul style="list-style-type: none"> • Summary of significant accounting policies: Key sources of estimation uncertainty – Impairment of assets 	<p>We assessed the appropriateness of the valuation model applied by the Corporation with reference to the requirements of IFRS. We considered the model to be appropriate.</p> <p>We tested the Corporation’s annual budgeting and forecasting process, including:</p> <ul style="list-style-type: none"> • Gaining an understanding of the key inputs through discussion with relevant officers responsible for the preparation of budgets and forecasts; • Testing to confirm that annual budgets and forecasts are appropriately approved; and • Comparing actual outcomes against historical budgets to determine whether significant deviations from budget indicate deficiencies in the budgeting processes <p>Our testing did not reveal any significant exceptions</p> <p>We agreed the cash flows components of the valuation model to approved budgets for periods where budgets had been approved, with no exceptions.</p> <p>Using our internal valuation expertise, we developed and independent expectation of a reasonable range of weighted average cost of capital rates as proxy for an appropriate discount rate utilised by the corporation was within our independently determined range.</p> <p>We tested the mathematical accuracy of the value-in-use calculation prepared by the Corporation and found no exceptions.</p> <p>We independently adjusted the cash flow forecasts utilised in the Corporation’s calculation to reflect, amongst others,</p>



Independent auditor's report continued...

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> Internal usage more closely aligned to historical rates; Growth in effective tariffs to consider economic growth forecasts and the gradual reduction in the tariff subsidy from the Government of Botswana; Domestic and imported costs which take account of anticipated domestic and imported cost inflation, including likely levels of imported units for sale; and Using these adjusted forecasts and the discount range we had independently determined; we performed an independent value-in-use valuation to calculate a reasonable range of valuation outcomes and compared these outcomes to the carrying value of assets. These outcomes did not indicate any impairment.

Other information

The Members of the Board are responsible for the other information. The other information comprises the information included in the document titled "Botswana Power Corporation Annual Financial Statements for the year ended 31 March 2022", which we obtained prior to the date of auditor's report and the other sections of the documents titled "Botswana Power Corporation Annual Report 2022" which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

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

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

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



Independent auditor's report continued...

Responsibilities of the Members of the Board for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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



Independent auditor's report continued...

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

Report on the legal and regulatory requirements

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

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

As set out in Note 42 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 P 408,540,000 (2021: operating profit of P 469,152,000) for the year ended 31 March 2022.

PricewaterhouseCoopers

PricewaterhouseCoopers

Firm of Certified Auditors

Practicing Member: Ichu Molebatsi (CAP 0041 2022)

31 August 2022

Gaborone

STATEMENT OF COMPREHENSIVE INCOME

BOTSWANA POWER CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 P'000	2021 P'000
Revenue	1	4,336,165	4,021,170
Other operating income	2	71,825	326,672
Consumer tariff subsidy	7	500,000	500,000
TOTAL OPERATING INCOME		4,907,990	4,847,842
Generation, transmission and distribution expenses	3	(4,648,686)	(3,853,940)
Administration and other expenses	4	(667,844)	(524,750)
TOTAL OPERATING EXPENSES		(5,316,530)	(4,378,690)
OPERATING (LOSS)/PROFIT		(408,540)	469,152
Interest income	8	14,344	14,581
Finance costs	9	(129,278)	(141,578)
Net foreign exchange (losses)/gains	9.1	(138,600)	446,753
Fair value gain/(loss) on cross currency and interest rate swap	10	169,299	(423,721)
(LOSS)/PROFIT BEFORE TAX		(492,775)	365,187
Income tax charge	11	(157,605)	(749,321)
LOSS FOR THE YEAR		(650,380)	(384,134)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss;			
Gains on revaluation of land and buildings and generation, transmission and distribution assets	12	3,585,450	1,638,807
Deferred tax effect	27	(528,450)	(240,188)
TOTAL OTHER COMPREHENSIVE INCOME		3,057,000	1,398,619
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,406,620	1,014,485

BOTSWANA POWER CORPORATION

STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2022

	Notes	2022 P'000	2021 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	26,147,648	22,693,999
Right-of-use Assets	13	6,033	6,377
Investments at amortised cost	14	21,770	24,146
Other financial assets at fair value	34	637,929	438,839
		26,813,380	23,163,361
Current assets			
Standard cost recovery - NESC	19	158,202	74,361
Investments at amortised cost	14	392,284	423,137
Consumer loans - hire purchase scheme	16	9,958	11,408
Consumer loans - NESC	20	3,708	12,394
Inventories	21	513,824	483,286
Trade and other receivables	22	316,357	336,554
Bank balances and cash	15	68,963	181,331
		1,463,296	1,522,471
TOTAL ASSETS		28,276,676	24,685,832
EQUITY AND LIABILITIES			
Capital and reserves			
Irredeemable capital	23	10,573,103	10,127,053
Revaluation reserve	24	9,017,043	5,960,043
Other reserves	25	1,803,087	1,803,087
Accumulated loss		(6,281,926)	(5,631,546)
		15,111,307	12,258,637
Non-current liabilities			
Deferred income - consumer financed projects	26	2,630,610	2,622,563
Borrowings	28	3,614,985	4,030,496
Consumer deposits	29	80,016	84,470
Lease liability	33	4,183	4,653
Deferred tax liability	27	1,936,925	1,250,870
		8,266,719	7,993,052
Current liabilities			
Bank overdraft	15	156,803	37,016
Consumer loans - rural collective scheme	17	105,353	98,705
Standard cost recovery	18	84,224	85,642
Borrowings	28	519,690	506,564
Consumer deposits refunds	29	467	2,966
Lease liability	33	3,962	3,292
Trade and other payables	30	2,810,191	1,906,310
Advances - consumer financed projects	31	1,145,289	1,527,405
Provisions	32	72,671	266,243
		4,898,650	4,434,143
TOTAL EQUITY AND LIABILITIES		28,276,676	24,685,832

BOTSWANA POWER CORPORATION

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

		Irredeemable Capital	Revaluation Reserve	Other Reserves	Accumulated Losses	Total
		P'000	P'000	P'000	P'000	P'000
Opening balance 1 April 2020		9,423,076	4,561,424	1,803,087	(5,247,412)	10,540,175
Loss for the year		-	-	-	(384,134)	(384,134)
Other comprehensive income (net of tax)		-	1,398,619	-	-	1,398,619
Total comprehensive income for the year		-	1,398,619	-	(384,134)	1,014,485
Transactions with owners in their capacity as owners						
Irredeemable capital contribution	23	403,977	-	-	-	403,977
Reclassification of Debt Service Reserve Account funds	23	300,000	-	-	-	300,000
Balance at 31 March 2021		10,127,053	5,960,043	1,803,087	(5,631,546)	12,258,637
Opening balance 1 April 2021		10,127,053	5,960,043	1,803,087	(5,631,546)	12,258,637
Loss for the year		-	-	-	(650,380)	(650,380)
Other comprehensive income (net of tax)		-	3,057,000	-	-	3,057,000
Total comprehensive income for the year		-	3,057,000	-	(650,380)	2,406,620
Transactions with owners in their capacity as owners						
Irredeemable capital transfer	23	446,050	-	-	-	446,050
						-
Balance at 31 March 2022		10,573,103	9,017,043	1,803,087	(6,281,926)	15,111,307

BOTSWANA POWER CORPORATION

STATEMENT OF CASHFLOWS

For the year ended 31 March 2022

	Notes	2022 P'000	2021 P'000
CASH FLOWS USED IN OPERATING ACTIVITIES:			
Cash generated from operations	36	1,073,122	959,714
Net cash flow from operating activities		1,073,122	959,714
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Interest received		14,344	14,581
Purchase of property, plant and equipment	12	(661,347)	(759,871)
Proceeds from disposal of property, plant and equipment		74	3,770
Net cash used in investing activities		(646,929)	(741,520)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings	28	(518,022)	(460,353)
Interest paid		(128,521)	(140,765)
Repayment of lease	33	(4,806)	(4,572)
Settlements on other financial assets	10	(29,791)	(6,018)
Irredeemable capital contribution from the Government	23	-	403,977
Net cashflow used in financing activities		(681,140)	(207,731)
Net (decrease)/increase in cash and cash equivalents		(254,947)	10,463
Cash and cash equivalents at beginning of the year		567,452	582,577
Effect of foreign exchange rate changes		(8,061)	(25,588)
Cash and cash equivalents at end of the year		304,444	567,452
Cash and cash equivalents comprise:			
Investments at amortised cost	14	392,284	423,137
Bank balances and cash	15	68,963	181,331
Bank overdraft	15	(156,803)	(37,016)
		304,444	567,452

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

The financial statements incorporate the following principal accounting policies which have been consistently followed in all material respects except for the changes set out in the "Adoption of new and revised international financial reporting standards" note below.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and interpretations effective in the current year

In the current year, the Corporation has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on or after 1 April 2021.

The following new or amended standards were adopted and did not have a significant impact on the Corporation financial statements:

- 1) Covid-19-Related Rent Concessions amendment to IFRS 16 – effective 1 April 2021) ; and
- 2) Interest Rate Benchmark Reform amendment to IAS 39, IFRS 7, IFRS 9 and IFRS 16 – effective 1 January 2021.

Standards in issue but not yet effective

A number of new standards and amendments to standards are issued but not yet effective for year ended 31 March 2022. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these standards or amendments to standards early. These will be adopted in the period that they become mandatory. The following new or amended standard which is not expected to have a significant impact on the Corporation financial statements:

- 1) Proceeds before intended use amendments to IAS 16-effective for annual periods beginning on or after 1 January 2022.
- 2) Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current amendment to IAS 1-effective for annual periods beginning on or after 1 January 2023.
- 3) Deferred Tax related to Assets and Liabilities arising from a Single Transaction amendments to IAS 12, Income Taxes-effective for annual periods beginning on or after 1 January 2023.
- 4) Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'-effective for annual periods beginning on or after 1 January 2023.

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022 Continued...

PROPERTY, PLANT AND EQUIPMENT

Land and buildings and generation, transmission and distribution assets are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. Work in progress is measured initially and subsequently at its cost.

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 assets 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. Others (Equipment and motor vehicles, Furniture and office equipment and Data processing equipment and software) 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 for the remaining useful lives of the items of property, plant and equipment. Capital work in progress is not depreciated until brought into use.

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

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

Assets that have an indefinite useful life like freehold are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022 Continued...

IMPAIRMENT OF TANGIBLE ASSETS

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

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

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

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

All inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes all expenditure incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which inventory can be realised in the normal course of business and takes into account all directly related costs to be incurred in marketing, selling and distribution. Provision is made for slow moving and defective inventories.

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

RETIREMENT BENEFITS

The Corporation's contributions are charged to income statement in the year in which they accrue and the Corporation has no further liability. A defined contribution plan is a pension plan under which the Corporation pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The Corporation pays gratuity to contracted staff in accordance with their respective contracts of employment. Employees' entitlements to annual leave are recognised when they accrue to employees and a provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022 Continued...

TAXATION

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

Current tax

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

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

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

Current and deferred tax for the period

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

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022 Continued...

RIGHT-OF-USE ASSETS AND LEASE LIABILITY

Initial measurement

Upon lease commencement, a right-of-use asset and a lease liability are recognised. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

Subsequent measurement

After lease commencement, the right-of-use asset is measured using a cost model, amortised over the lease term on a straight-line basis.

Lease liability is subsequently remeasured to reflect changes in:

The lease term (using a revised discount rate); the assessment of a purchase option (using a revised discount rate); the amounts expected to be payable under residual value guarantees (using an unchanged discount rate); or future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate).

The remeasurements are treated as adjustment to the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lessee's incremental borrowing rate

Where the lessee is unable to readily determine the interest rate implicit in the lease, the discount rate will be the lessee's incremental borrowing rate. The incremental borrowing rate is an interest rate specific to the lessee that reflects the credit risk of the lessee. The Corporation has adopted the incremental borrowing rate as the discount factor and the applicable rate. The discount factors take into account the interest rates on the existing facilities where applicable and commercial rates that Corporation could be offered by its lenders if they were to source funding.

CONSUMER TARIFF SUBSIDY

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

BORROWING COSTS

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

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

FOREIGN CURRENCIES

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

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022 Continued...

TRADE AND OTHER PAYABLES

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

PROVISIONS

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

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

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

RELATED PARTY TRANSACTIONS

Related parties are defined as those parties:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - * controls, is controlled by, or is under common control with, the entity; and
 - * 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 instruments held by the Corporation are classified in accordance with provisions of IFRS 9 Financial Instruments. Financial instruments are recognised initially when the Corporation becomes a party to the contractual provisions of the instruments. The Corporation classifies financial instruments or their component parts on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement.

Financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

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

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022

Financial Instruments cont

Effective interest method

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

At fair value through profit or loss (FVTPL)

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

Cash and cash equivalents

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

Financial assets at amortised cost

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

Impairment of financial assets

The Corporation adopted IFRS 9 - Financial Instruments ("IFRS 9") to measure the allowance for impairment of trade receivables and consumer loans. IFRS 9 requires impairment allowances to be considered on an expected credit loss and requires the Corporation to develop an impairment model to calculate Expected Credit Losses ("ECLs") and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the trade receivable and consumer loans. Specifically, the Corporation recognises a loss allowance for expected credit losses on: Financial assets measured subsequently at amortised cost; and Financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, in accordance with IFRS 9, the Corporation measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022

Financial Instruments cont

Impairment of financial assets (continued)

Measurement and recognition of expected credit losses

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

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

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

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

Significant increase in credit risk

In assessing whether the credit risk on a receivable group has increased significantly since initial recognition, the Corporation compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. The Corporation considers both quantitative and qualitative information that is both historical and forward looking. Forward looking information includes future prospects of the industry or segment obtained from economic experts, government bodies and relevant think-tanks. On general note, the credit risk of a receivable is always presumed to have increased significantly since initial recognition if the payments are more than 30 days due.

Derecognition of financial assets

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

Financial liabilities and equity instruments issued by the Corporation

Classification as debt or equity

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

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022

Financial Instruments cont

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 at FVTPL

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in Note 38.9.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022

CONSUMER DEPOSITS

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

DEFERRED INCOME CONSUMER FINANCED PROJECTS

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

ADVANCES ON CONSUMER FINANCED PROJECTS

Advances on consumer financed projects comprise funds received/receivable from customers and the Government of Botswana in advance of capital projects financed by the customers/Government. The actual expenditure on these capital projects is netted off against these advances on consumer financed projects as and when it is incurred. The carrying amount is considered to be at fair value as the advances are not utilised during the normal course of the business of the Corporation.

NATIONAL ELECTRIFICATION STANDARD CONNECTION COST (NESC) RECOVERY

National electrification standard connection cost comprises of refunds due from Government through the National Electrification Standard Cost Connection Fund. The amount claimable by the Corporation is the difference between the standard charge of P5,000 or P2,500 borne by the customer and the actual cost incurred by the Corporation in connecting the customers. The excess of the actual costs incurred over and above the P5,000 or P2,500 is recoverable from the National Electrification Fund. This Fund is established from P0.10 (10 thebe) levied to customers for every kWh billed.

STANDARD COST RECOVERY/NESC

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

CONSUMER LOANS-RURAL COLLECTIVE SCHEME

Rural Collective Scheme is Government revolving fund established to provide rural consumers (old version of NESC) with access to electricity. The scheme was guaranteed by the Government at P203 million. All collections from the old rural collective scheme are due to government hence treated as a liability.

REVENUE

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

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

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022

Sale of Electricity

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

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

Consumer Finance Recoveries

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

Interest received

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

Other income

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Revenue recognition

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

Investment at Amortised Cost

The directors have reviewed the Corporation's financial assets at fair value in the light of its capital maintenance and liquidity requirements and have confirmed the Corporation's positive intention and ability to hold those assets to maturity. The carrying amount of the financial assets at fair value is P21,770,000 (2021: P24,146,000). Details of these assets are set out in Note 14.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Useful lives of property, plant and equipment

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

Revaluation of property, plant and equipment

The Corporation periodically commissions external experts to value property, plant and equipment (Land and Building and Generation, Transmission and Distribution assets). The latest revaluation was carried out at 31 March 2022.

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Revaluation of property, plant and equipment (continued)

Market values for land and buildings were determined based on the market comparable approach which reflects recent transaction prices for similar properties and considerations were made with reference to location, accessibility, demand/supply of such properties, quality and standard of the structures, age, condition etc and the prevailing economic and property market trends. These were then compared with the subject property on the same basis to arrive at an adjusted unit value and applied same to the subject property whilst allowing for similarities and dissimilarities accordingly. In cases where comparable market evidence is not available, especially tribal areas, the replacement cost approach has been adopted.

The fair values of generation transmission and distribution assets was determined using the replacement cost approach which reflects the cost to the market participant to construct assets of a comparable utility and age, adjusted for obsolescence. The significant inputs include estimated construction costs and other ancillary expenditure and a depreciation factor applied to the estimated construction cost.

Solar Station Grant

In 2012, Corporation received a grant of 1 MW Solar Power Station (Phakalane, Gaborone) from Government of Japan for a project of introduction of clean energy by solar electricity generation system. There are no specific conditions attached to the grant. As of 31 March 2022, the Corporation estimated the fair value of the Power Station and underlying property and its improvements using replacement cost to be P11.3 million and recognised the asset and deferred income in the current year.

Fair value of financial instruments

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

* Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the Corporation can access at the measurement date;

* Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (that is, derived from prices); and

* Level 3: Inputs are unobservable inputs for the asset or liability.

Some of the Corporation's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Corporation uses market-observable data to the extent available. Where level 1 inputs are not available, the Corporation engages third party qualified valuers, to determine the valuation techniques and inputs for the fair value measurements. Management of the Corporation work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of the assets and liabilities are disclosed in Notes 10 and 38.9.

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of consumer loans and trade receivables

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

Expected Credit Loss ("ECL") on Trade receivables has been assessed using provision matrix by grouping customers with shared credit risk characteristics and days past due. Information on key judgement such as look back period and forward looking macroeconomic factors and related sensitives are given on note 22.3.

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

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

Income tax

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

The Income Tax Act was amended during February 2016 to bring all parastatal entities and other state-owned enterprises, which had previously been exempted from income tax, to be within the ambit of the Act. The revised Act allows the Minister of Finance to exempt specific parastatal entities and state-owned enterprises from income tax. The Honourable Minister identified those entities which are to be exempted from income tax in the Income Tax (Bodies Corporate Exempt From Tax) Regulation, 2016 of 1 July 2016. The Corporation was not identified as an exempt entity in this regulation and is thus subject to income tax for the first time in 2017 financial year.

The Botswana Unified Revenue Services (BURS) has not issued any guidelines as to any transitional arrangements which would apply in the first tax period for the newly taxable entities. Accordingly, the Corporation has estimated the income tax liability for the 2017 financial year based on management's best interpretation of the Income Tax Act as it may apply to the Corporation. This has required the Corporation to make a number of judgements in the calculation of its current and deferred tax charges and balances.

The most significant of these judgments are:

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

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

BOTSWANA POWER CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2022

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

The Corporation carries a significant fixed asset base in its statement of financial position. As per IAS 36 – Impairment of assets, these assets are subject to impairment assessment should any indicators of impairment exist. These indications includes factors such as physical damages, worse economic performances of the assets, decline in market value, significant changes with adverse effect on expected use of assets etc. In addition to impact on COVID19, the previous losses incurred by the Corporation, construction and equipment defects in the plant for which remedial work is currently underway and plant not being operated at its optimal capacity indicated a possible impairment of its asset base.

Accordingly, an impairment assessment was performed as follows.

For the purposes of assessing impairment, the whole Corporation is considered as a cash generating unit ("CGU") and assessed the value in use by considering future cashflow and economic conditions that would have affected to the Corporation's future operations.

The recoverable amount of every CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management. These budgets are prepared annually and assumes a reasonable growth rate for future cash flows. Summary of key assumptions used in value in use calculation is given below:

Average utilisation of the generation plant (as % of the capacity)	84.07%
Internal usage (as a% of units generated)	13.22%
System losses - Transmission and distribution losses (as a% of units sent out & purchased)	15.01%
Long term increase in demand (p.a)	3.00%
Expected annual growth in tariff (including the effect of tariff subsidy)	2.09%
Expected annual increase in domestic cost	4.55%
Expected refurbishment cost (as a % of revenue)	5.00%
BWP Discount Rate	7.70%

Outcomes from the impairment calculations are most sensitive to assumptions. Holding all other assumptions constant, impairment of the assets will only be indicated when these assumptions reach the following levels:

Average utilisation of the generation plant (as % of the capacity)	82.04%
Expected annual growth in tariff (including the effect of tariff subsidy)	1.85%
Expected annual increase in domestic cost	7.60%
Expected refurbishment cost (as a % of revenue)	7.10%
Discount Rate	8.02%

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

		2022	2021
		P'000	P'000
1 REVENUE			
Sale of electricity:			
Mining		798,816	633,814
Commercial		1,589,504	1,472,146
Domestic		1,301,560	1,241,514
Government		646,285	673,696
		<u>4,336,165</u>	<u>4,021,170</u>
Revenue recognised over time		<u>4,336,165</u>	<u>4,021,170</u>
2 OTHER OPERATING INCOME			
Profit on sale of materials		4,393	35,342
Penalties and late payment fees		3,076	2,937
Rental income		5,325	4,020
Wheeling revenue		7,491	7,681
Consumer finance projects recoveries		26,516	21,207
Sales to Southern African Power Pool (SAPP)		10,680	1,250
Delayed liquidated damages- Morupule A refurbishment		-	225,892
Other sundry income		12,246	25,116
Profit on disposal of property, plant and equipment		19	1,340
Interest earned on consumer loans		1,651	878
Reconnection charges		428	1,009
		<u>71,825</u>	<u>326,672</u>
3 GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES			
Fuel, water and chemicals		924,720	954,926
Power purchases		1,987,345	1,417,893
Maintenance	- Generation	166,976	183,659
	-Transmission, Distribution	348,820	241,657
Amortisation of deferred income - Consumer financed projects		(119,547)	(96,122)
Staff costs	- Generation	251,647	216,347
	-Transmission, Distribution	311,923	276,689
Depreciation	- Generation	336,475	337,985
	-Transmission, Distribution	378,379	275,749
Other expenses	-Transmission, Distribution	23,485	14,321
Downward revaluation adjustment on substation building assets (Note 12)		38,463	30,836
		<u>4,648,686</u>	<u>3,853,940</u>

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

	2022 P'000	2021 P'000
4 ADMINISTRATION AND OTHER EXPENSES		
Advertising	2,068	2,674
Auditor's remuneration	1,689	1,594
Bank charges	6,059	5,313
Board members fees	1,025	1,018
Commission costs	101,476	81,305
Consultancy fees	14,557	3,800
Customs duty, freight charges and price variance	1,178	683
Depreciation of items of property, plant and equipment and right-of-use assets	44,326	46,331
Fuels and lubricants	14,438	12,112
Insurance expenses	49,619	47,256
Provision charge / (reversal of provision) for litigation claims	9,069	(31,962)
Office cleaning costs	36,144	31,011
Other sundry expenses	55,300	42,283
Postage and telecommunications costs	13,597	11,700
Printing and stationery	1,822	1,536
Provision for impairment of receivable	11,265	36,239
Rental expense	851	204
Repairs and maintenance	79,378	46,244
Security costs	26,940	24,003
Staff costs	179,739	152,857
Travel and accommodation costs	17,304	8,549
	667,844	524,750
5 OPERATING (LOSS)/PROFIT		
Operating (loss)/profit is arrived at after charging/(crediting) the following items:		
Depreciation of items of property, plant and equipment	754,587	655,391
Profit on disposal of property, plant and equipment	(19)	(1,340)
Repairs and maintenance of property, plant and equipment	79,378	46,244
Sale of materials	(231,119)	(244,655)
Cost of materials sold	226,726	209,313
Property rentals	851	204
6 STAFF COSTS		
Salaries and wages	674,011	582,690
Gratuities	10,836	8,850
Pension contributions	58,462	54,353
Medical retirement packages		
	743,309	645,893
Average number of employees	2,053	2,011
Staffs costs are included in generation, transmission and distribution and administration expenses are reconciled below:		
Staff costs - Generation	251,647	216,347
Staff costs - Transmission, Distribution	311,923	276,689
Staff costs - Administration	179,739	152,857
	743,309	645,893

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

	2022 P'000	2021 P'000
7 CONSUMER TARIFF SUBSIDY	500,000	500,000
"The Corporation's end user tariffs are lower than the generation cost per unit. Based on the Corporation's long term financial strategy that informs both the required tariff levels and operational subsidy in the medium to long term the Government of the Republic of Botswana paid a grant of P500,000,000 (2021:P500,000,000) to partially offset the operating losses.		
8 INTEREST INCOME		
Call Accounts	1,385	5,589
Investments	12,959	8,992
	14,344	14,581
9 FINANCE COSTS		
Interest on borrowings	128,521	140,765
Interest on lease liability - IFRS 16	757	813
	129,278	141,578
The interest costs incurred on the Industrial and Commercial Bank of China (ICBC) loan disclosed per Note 28		
9.1 NET EXCHANGE (LOSSES)/GAINS		
Net foreign exchange (losses)/gains	(137,704)	448,804
Net foreign exchange loss on interest rate swap	(896)	(2,051)
	(138,600)	446,753
10 FAIR VALUE GAIN/(LOSS) ON CROSS CURRENCY AND INTEREST RATE SWAP		
Realised fair value loss on cross currency and interest rate swap	(29,791)	(6,018)
Received from Standard Bank Plc.	596,365	625,457
Payments to Standard Bank Plc.	(626,156)	(631,475)
Unrealised fair value gain/(loss) on the cross currency and interest rate swap	199,090	(417,703)
	169,299	(423,721)

As detailed in Note 35, to reduce the risk of changing interest rates and foreign currency exchange rates on the loan from Industrial and Commercial Bank of China (ICBC), the Corporation entered into a pay fixed interest rate and receive floating interest rate hedging arrangement with Standard Bank Plc. The nature of the hedge in place is that it effectively converts the USD825 million loan into a notional basket currency which historical trends and forecasts have indicated to be highly correlated to the Botswana Pula. During the year, the resultant cash flows translate to an average effective interest rate of 6.83% (2021:6.83%) which management assessed to be reasonable. The cross currency interest rate swap is revalued at quarterly intervals and the valuation methodology incorporates among other factors unobservable inputs, methodology incorporating basis risk, and assumptions on estimation of probability of default risk and loss given default risk when incorporating Credit Valuation Adjustment and Debit Valuation Adjustments in line with IFRS 13. The fair valuation results indicated an asset of P637,929,000 (2021: P438,839,000). See Note 34.

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

	2022 P'000	2021 P'000
11 INCOME TAX EXPENSE		
Deferred tax	157,605	749,321
	157,605	749,321
Income tax reconciliation:		
(Loss)/profit before taxation	(492,775)	365,187
Taxation at 15% (2021: 15%)	(73,916)	54,778
Under provision in respect of previous year	(56,923)	-
Deferred tax asset not recognised on interest claimable	-	18,581
Reversal of deferred tax asset on tax losses previously recognised	-	403,476
Deferred tax asset not recognised on current year tax loss*	265,339	266,605
Disallowable/non-taxable items	23,105	5,881
	-	-
	157,605	749,321

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

*No provision was made for normal taxation since the Corporation has an accumulated tax loss of P6,015,303 000. The losses arising from Corporation's operations can be carried forward for five years from initial period of recognition. The accumulated unexpired tax losses are given below;

Tax year	Profit/(Loss) P'000	Assessable loss C/F P'000	Loss expire in tax year
2018	(54,549)	(54,549)	2023
2019	(525,562)	(580,111)	2024
2020	(2,288,391)	(2,868,502)	2025
2021	(1,783,383)	(4,651,885)	2026
2022	(1,768,928)	(6,420,813)	2027

"Assessed/assessable tax losses as at 31 March 2022 is P 6.4 billion (2021: P4.9 billion) and tax losses in Botswana have to be utilised within five years from the year of origination. As of 31 March 2022, the Corporation has carried forward interest claimable of P406 million (2021: P295 million) (due to Section 41A limitation), which could be claimable within three years."

Corporation has not recognised deferred tax asset on tax losses and the interest claimable as the management forecast of taxable income for next five years indicate that the Corporation will not be able to generate adequate taxable income to utilise these before they fall away.

Accordingly, deferred tax asset of P 962 million (2021: 787 million) has not been recognised.

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

12

PROPERTY, PLANT AND EQUIPMENT	Land & Buildings	Generation, Transmission & Distribution	Other (Motor Vehicles, Furniture & Equipment)	Capital Work in Progress	Total
2022 Carrying Amount	P'000	P'000	P'000	P'000	P'000
Balance at beginning of year	936,370	19,465,499	108,987	2,183,143	22,693,999
Additions	74	131,500	24,983	504,790	661,347
Disposals cost	-	(533,656)	(118,194)	-	(651,850)
Accumulated depreciation eliminated on disposals	-	533,656	118,139	-	651,795
Reclassification of maintenance expenses from opening balance	-	-	-	(43)	(43)
Reclassification of transmission and distribution buildings (Cost/Valuation)	(2,115)	2,115	-	-	-
Reclassification of transmission and distribution buildings (Acc. depreciation)	18	(18)	-	-	-
Depreciation	(18,583)	(714,854)	(21,150)	-	(754,587)
Transfers	25,839	1,052,706	-	(1,078,545)	-
Revaluation adjustment (note 12.1)	30,384	3,516,603	-	-	3,546,987
Balance at end of year	971,987	23,453,551	112,765	1,609,345	26,147,648
At 31 March 2022					
Cost/valuation	971,987	23,453,551	15,776	1,609,345	26,050,659
Accumulated depreciation and impairment	-	-	96,989	-	96,989
Carrying amount	971,987	23,453,551	112,765	1,609,345	26,147,648

BOTSWANA POWER CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 Continued...

12	PROPERTY, PLANT AND EQUIPMENT	Land & Buildings	Generation, Transmission & Distribution	Other (Motor Vehicles, Furniture & Equipment)	Capital Work in Progress	Total
	2021 Carrying Amount	P'000	P'000	P'000	P'000	P'000
		952,575	17,251,192	118,907	2,661,304	20,983,978
	Additions	-	31,888	16,810	711,173	759,871
	Disposals cost	-	-	(43,314)	-	(43,314)
	Accumulated depreciation eliminated on disposals	-	-	40,884	-	40,884
	Depreciation	(16,984)	(613,734)	(24,673)	-	(655,391)
	Transfers	7,173	1,181,788	373	(1,189,334)	-
	Revaluation adjustment (note 12.1)	(6,394)	1,614,365	-	-	1,607,971
	Balance at end of year	936,370	19,465,499	108,987	2,183,143	22,693,999
	At 31 March 2021					
	Cost/valuation	936,370	19,465,499	144,994	2,183,143	22,730,006
	Accumulated depreciation and impairment	-	-	(36,007)	-	(36,007)
	Carrying amount	936,370	19,465,499	108,987	2,183,143	22,693,999
					2022	2021
					P'000	P'000
12.1	Revaluation adjustment credited to revaluation reserve				3,585,450	1,638,807
	Downward revaluation adjustment debited to income statement (Note 3)				(38,463)	(30,836)
	Net increase in property plant and equipment as a result of revaluation				3,546,987	1,607,971

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

As at 31 March 2022, the fair value assessment of the Corporation's land and buildings was performed by Willy Kathurima & Associates, independent professional valuer and the fair value assessment of the generation, transmission and distribution assets was performed by Minet Risk Management, independent professional valuer.

Market values for land and buildings were determined based on the market comparable approach which reflects recent transaction prices for similar properties and considerations were made with reference to location, accessibility, demand/supply of such properties, quality and standard of the structures, age, condition etc and the prevailing economic and property market trends. These were then compared with the subject property on the same basis to arrive at an adjusted unit value and applied same to the subject property whilst allowing for similarities and dissimilarities accordingly. In cases where comparable market evidence is not available, especially tribal areas, the replacement cost approach has been adopted. The fair values of generation transmission and distribution assets was determined using the replacement cost approach which reflects the cost to the market participant to construct assets of a comparable utility and age, adjusted for obsolescence. The estimated construction cost at 31 March 2022 were determined by appropriate inflation and other adjustments to the base cost of individual assets. The significant inputs include estimated construction costs and other ancillary expenditure and a depreciation factor applied to the estimated construction cost. A slight increase in the depreciation factor would result in a significant decrease in the fair value of the generation, transmission and distribution assets, and a slight increase in the estimated construction costs would result in a significant increase in the fair value of the generation, transmission and distribution assets, and vice versa.

There has been no change to the valuation technique during the year. The following table analyses the non-financial assets carried at fair value, by revaluation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
 - Inputs other than quoted included within level 1 that are observable for the asset or liability either directly or indirectly (Level 2); and
 - Inputs for the asset and liability that are not based on observable market-date (Level 3).
- There were no transfers between levels during the year.

	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	fair value P'000
Fair value measurement at 31 March 2022				
Land and Buildings	-	-	971,987	971,987
Generation transmission and distribution assets	-	-	23,453,551	23,453,551
	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	fair value P'000
Fair value measurement at 31 March 2021				
Land and Buildings	-	-	936,370	936,370
Generation transmission and distribution assets	-	-	19,465,499	19,465,499

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

BOTSWANA POWER CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 Continued...

Significant unmovable inputs used for level 3 of the fair value hierarchy

Valuation technique	Valuation	Key input and sensitivity
P'000		
Land and Buildings		
Sales comparison method	248,792	Determined based on the recent transaction prices for similar properties with adjustment for other factors mentioned above. Increase in market prices will improve the value of the properties and vice versa.
Income capitalisation	652,622	These are mainly training centres, office buildings etc. valued based on net market rent capitalised basis. The increase in net market rent and the decrease in capitalisation rate will improve the property value and the opposite would reduce the value.
Depreciated replacement cost	70,573	These are main substation buildings and value based on replacement cost as no comparable market prices nor the rentals.
	971,987	
Generation, transmission and distribution assets		
Replacement cost method	23,453,551	Determined based on change in replacement cost of main components*. 1% increase in cost will increase the value by P235Mn and vice versa.

*this includes cables, overhead lines, Isolators, circuit breakers, surge arrestors and all other switchgear equipment, Transformers, reactors, voltage transformers, current transformers and all other electrical equipment assets.

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

13 RIGHT OF USE ASSETS

The Corporation has lease obligations for the rental of premises both for residential and commercial purposes. The Right of Asset is the lessee's right to use an asset over the life of the lease. They are recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised and is depreciated over the lease term. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, then the related right-of-use asset is depreciated over the useful life of the underlying asset as follows;

	2022	2021
Cost	P'000	P'000
Opening Balance	15,028	14,922
Lease termination	(5)	(183)
New leases during the year	4,254	288
Balance at the end of the year	19,277	15,028
 Accumulated Depreciation		
Opening balance	8,651	3,977
Charge for the year	4,593	4,674
Balance at the end of the year	13,244	8,651
 Net Book Value	6,033	6,377

14 INVESTMENTS AT AMORTISED COST

Deposits with local financial institutions	392,284	423,137
Deposits with foreign financial institutions	21,770	24,146
	414,054	447,283
Current portion	(392,284)	(423,137)
Long-term portion	21,770	24,146

Investments at amortised cost are classified as non-current assets, except for maturities within 12 months of the statement of financial position date which are classified as current assets. The current portion of the investments held-to-maturity comprises fixed deposits with local banks which earn interest at rates ranging from 3% to 6% (2021: 2 % to 6%). These fixed deposits are invested for periods ranging from 7 to 91 days (2021: 7 to 91 days). The long term portion of the deposits with foreign banks have been placed to match the foreign currency exposure on certain of the Corporation's foreign borrowings as per Note 28.

The deposits denominated in foreign currency are as follows:

US dollar (\$000)	29,736	31,732
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BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

		2022	2021
		P'000	P'000
15	CASH AND CASH EQUIVALENTS		
15.1	Bank balances	68,963	181,331
		68,963	181,331
15.2	Bank overdrafts	156,803	37,016
	The Corporation has an overdraft facility limit of P200 million with five commercial banks (2021: P100 million).		
16	CONSUMER LOANS - HIRE PURCHASE SCHEME		
16.1			
	Hire purchase scheme	106,220	112,701
	Less: Loss allowance	(96,262)	(101,293)
	Total	9,958	11,408

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

Loans which are repayable within 18 months are interest free. Loans over longer periods bear interest which is linked to the ABSA Bank of Botswana Limited prime lending rate, which at the end of the year was 5.25% (2021: 5.25%).

16.2 Movement in the loss allowance for hire purchase scheme receivables

Balance at beginning of year	101,293	94,741
(Release)/charge for the year	(5,031)	6,552
Balance at end of year	96,262	101,293

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

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

16 CONSUMER LOANS - HIRE PURCHASE SCHEME (CONTINUED)

16.3 Gross carrying values and loss allowance

	31 March 2022			31 March 2021		
	Gross Carrying Value	Loss allowance	Net Carrying Value	Gross Carrying Value	Loss allowance	Net Carrying Value
	P'000	P'000	P'000	P'000	P'000	P'000
Not past due	12,944	(2,762)	10,182	15,084	(4,987)	10,097
Past Due 30 days	4,702	(4,414)	288	6,440	(5,433)	1,007
Past Due 60 days	3,660	(3,996)	(336)	5,921	(5,617)	304
Past Due 90 days	4,751	(4,927)	(176)	4,735	(4,736)	-
Past Due > 365 Days	80,163	(80,163)	-	80,521	(80,521)	-
Total	106,220	(96,262)	9,957	112,701	(101,293)	11,409

2022
P'000

2021
P'000

17 CONSUMER LOANS - RURAL COLLECTIVE SCHEME

17.1	Opening balance	(98,705)	(94,261)
	Collection from old rural collective scheme	(6,648)	(4,993)
	Total Government revolving fund	(105,353)	(98,705)

"Rural Collective Scheme is a Government revolving fund established to provide rural consumers with access to electricity. The scheme is guaranteed by the Government. Loans which are repayable within a period of 18 months are interest free. Loans over longer periods bear interest which is linked to the ABSA Bank of Botswana Limited prime lending rate which at the end of the year was 5.25% (2021: 5.25%)."

18 STANDARD COST RECOVERY

	2022 P'000	2021 P'000
Opening balance	(85,642)	(86,672)
Impairment charge/non recoverable	1,418	1,030
Total standard cost	(84,224)	(85,642)

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

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

	2022	2021
	P'000	P'000

19 STANDARD COST RECOVERY - NESC

Refunds due from the National Electrification Standard Connection Cost Fund	158,202	74,361
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"With effect from 1 October 2010, the Government introduced the National Electricity Standard Connection Cost (NESC) in selected rural and semi-urban areas. Participants of this scheme pay a standard charge of P5,000 or P2 500 for a connection. The difference between this standard charge and the actual cost incurred by the Corporation is claimable from the National Electrification Standard Connection Cost Fund. This fund is established from P0.10 (10thebe) levied to customers for every kWh billed.

20 CONSUMER LOANS - NESC

Consumer loans - NESC	89,868	102,995
Less: Loss allowance	(86,160)	(90,601)
	3,708	12,394

This balance comprises amounts owing from customers for their contribution under the NESC Scheme referred to in Note 20. The customer's electricity connection cost is a standard charge of P5,000 or P2 500, and any short fall is funded from the NESC fund. 5% of the P5,000 is payable by the customer up front and the balance is payable over a period of up to 18 months. Balances repayable within 6 months are interest free and loans over longer periods bear interest which is linked to the ABSA Bank of Botswana Limited prime lending rate, which at the end of the year was 5.25% (2021: 5.25%). Provision has been made on all accounts that defaulted on instalments plans after year end as evidence of default.

20.1 Movement in the loss allowance for consumer loans NESC

Balance at beginning of year	90,601	86,536
(Release)/charge for the year	(4,441)	4,065
Balance at end of year	86,160	90,601

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

There were no any balances written-off during the year.

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

20 CONSUMER LOANS - NESC (CONTINUED)

20.2 Gross carrying values and loss allowance

	31 March 2022			31 March 2021		
	Gross Carrying Value	Loss allowance	Net Carrying Value	Gross Carrying Value	Loss allowance	Net Carrying Value
	P'000	P'000	P'000	P'000	P'000	P'000
Not past due	4,620	(912)	3,708	14,486	(2,275)	12,211
Past Due 30 days	1,384	(1,384)	-	2,523	(2,341)	182
Past Due 60 days	1,500	(1,500)	-	2,316	(2,316)	-
Past Due 90 days	1,744	(1,744)	-	2,058	(2,058)	-
Past Due > 365 Days	80,620	(80,620)	-	81,612	(81,612)	-
Total	89,868	(86,160)	3,708	102,995	(90,601)	12,393

21 INVENTORIES

	2022 P'000	2021 P'000
Coal and fuel	284,686	242,209
Maintenance spares and materials	229,138	241,077
Cost	277,979	294,473
Allowance for obsolete stock	(48,841)	(53,396)
	513,824	483,286
Movement of Allowance for obsolete stock		
Opening balance	53,396	62,472
Release Charge for the year	(4,555)	(9,076)
Closing balance	48,841	53,396

"The cost of inventories recognised as an expense during the year was P94,351,211 (2021: P63,444,289).

BOTSWANA POWER CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 Continued...

22 TRADE AND OTHER RECEIVABLES

	2022	2021
Electricity sales receivables:	215,388	235,967
Mining	14,257	24,809
Commercial	209,791	257,896
Domestic	21,483	34,591
Government related entities	112,363	117,347
Unallocated receipts	(28,962)	(33,656)
Less: Loss allowance on electricity sales receivables	(113,544)	(165,020)
 Small works contractors receivables:	 25,295	 71,736
Gross receivables from small works contractors	121,457	138,206
Less: Loss Allowance on Small works contractors receivables	(96,162)	(66,470)
 VAT receivable	 27,553	 (3,214)
Southern African Power Pool	(3,807)	11,488
Other receivables	51,928	20,577
	<u>316,357</u>	<u>336,554</u>

The average credit period on sale of electricity is 35 days (2021: 55 days).

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

The Corporation holds bank guarantees as security against certain of these receivables to the value of P33,477,790 (2021: P21,230,104). In addition, where customers do not have a bank guarantee, they are required to pay a deposit equivalent to two months worth of their estimated consumption before being connected with electricity supply. The value of the deposits held by the Corporation is disclosed per Note 29.

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

22 TRADE AND OTHER RECEIVABLES (CONTINUED)

22.1	Movement in loss allowance - trade receivables	Electricity sales receivables		Small works contractors receivables	
		2022	2021	2022	2021
		P'000	P'000	P'000	P'000
	Balance at beginning of year	165,020	148,733	66,470	56,894
	Write offs during the year	(39,860)	-	-	-
	Charge/(release) for the year	(11,616)	16,287	29,692	9,576
	Balance at end year	113,544	165,020	96,162	66,470

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

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

31 March 2022					
	Mining	Commercial	Domestic	Government	Total
	P'000	P'000	P'000	P'000	P'000
Balance at beginning of year	9,787	110,175	32,931	12,127	165,020
Write offs during the year	(8,225)	(17,373)	(14,262)	-	(39,860)
Charge/(release) for the year	58	(12,771)	1,029	68	(11,616)
Balance at end year	1,621	80,031	19,698	12,194	113,544

31 March 2021					
	Mining	Commercial	Domestic	Government	Total
	P'000	P'000	P'000	P'000	P'000
Balance at beginning of year	10,200	94,767	32,404	11,362	148,733
Charge/(release) for the year	(413)	15,408	527	765	16,287
Balance at end year	9,787	110,175	32,931	12,127	165,020

Balances due from government related entities are from the normal course of business. The impairment provision includes P12.19 Mn (2021: P12.13 Mn) in respect of government related entities and no amounts have been written-off during the year.

P47.1Mn was written-off during the year comprising P39.9 million consumption debtors and P7.2 Mn prepaid/legacy debtors.

BOTSWANA POWER CORPORATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 Continued...

22 TRADE AND OTHER RECEIVABLES (CONTINUED)

22.2 Gross carrying values and loss allowance

	31 MARCH 2022					
	Mining		Net Carrying Value	Commercial		Net Carrying Value
	Gross Carrying Value	Loss Allowance		Gross Carrying Value	Loss Allowance	
	P'000	P'000	P'000	P'000	P'000	P'000
Not past due	10,320	(33)	10,287	108,360	(1,393)	106,967
Past Due 30 days	3,900	(1,581)	2,320	24,663	(1,870)	22,793
Past Due 60 days	30	-	30	12,866	(12,866)	-
Past Due 90 days	-	-	-	5,669	(5,669)	-
Past Due > 365 Days	7	(7)	-	58,233	(58,233)	-
Totals	14,257	(1,621)	12,637	209,791	(80,031)	129,760

	31 March 2021					
	Mining		Net Carrying Value	Commercial		Net Carrying Value
	Gross Carrying Value	Loss Allowance		Gross Carrying Value	Loss Allowance	
	P'000	P'000	P'000	P'000	P'000	P'000
Not past due	9,819	(29)	9,789	103,550	(1,382)	102,168
Past Due 30 days	2,819	(1,315)	1,504	25,477	(294)	25,182
Past Due 60 days	3,748	(19)	3,729	25,053	(4,681)	20,372
Past Due 90 days	-	-	-	12,282	(12,282)	-
Past Due > 365 Days	8,423	(8,423)	-	91,534	(91,534)	-
Totals	24,809	(9,787)	15,023	257,896	(110,175)	147,722

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

31 MARCH 2022								
Domestic			Government			Small Works Contractors		
Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value
P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
1,663	(163)	1,501	53,543	(659)	52,883	11,213	(629)	10,584
365	(80)	285	21,224	(80)	21,144	14,508	(1,037)	13,471
140	(140)	-	8,588	(208)	8,380	8,099	(6,861)	1,239
149	(149)	-	18,949	(1,188)	17,761	12,329	(12,329)	-
19,167	(19,167)	-	10,059	(10,059)	-	75,307	(75,307)	-
21,484	(19,699)	1,786	112,363	(12,194)	100,169	121,456	(96,163)	25,294

31 March 2021								
Domestic			Government			Small Works Contractors		
Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value	Gross Carrying Value	Loss Allowance	Net Carrying Value
P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
1,552	(111)	1,441	45,453	(766)	44,687	25,592	(1,381)	24,211
273	(53)	220	25,794	(175)	25,620	25,900	(521)	25,379
155	(155)	-	16,217	(248)	15,969	17,645	(430)	17,214
195	(195)	-	6,918	(5,161)	1,757	13,438	(8,507)	4,931
32,417	(32,417)	-	22,965	(5,777)	17,187	55,632	(55,632)	-
34,591	(32,931)	1,661	117,347	(12,127)	105,220	138,206	(66,471)	71,735

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

22 TRADE AND OTHER RECEIVABLES (CONTINUED)

22.3 Key inputs and sensitivities

Expected loss rates are determined based on historical losses adjusted to reflect current and forward looking macroeconomic factors, where relevant, affecting the customer's ability to settle the outstanding amount.

Corporation has used historical data up to four prior to determine the historical loss rates. For trade receivable (electricity sales receivable and small work contractor receivable) 4 years historical data are used to determine the historical loss rate as it was deemed reasonable. However, for consumer loans, 1 year historical data was used to determine the historical loss rate as no reliable data was available for the period. On average, there was no material differences culminating from this choice as indicated in the sensitivity analysis below:

In relation to forward looking macroeconomic factors, consideration was made based on inflation rate by the IMF World Economic Outlook Report to increase by 10.75% in the economy due to the global Covid 19 pandemic. This was applied on the all receivable except on the Government who is expected to settle all the bills.

Consumer Loans	Current year	"2 years Average"	"3 years Average"	"4 years Average"
		P'000	P'000	P'000
Consumer Loans- Hire Purchase	96,262	96,286	96,173	93,379
Variance in loss allowance		(24)	89	2,883
Variance as % of loss allowance		0%	0%	3%
	P'000	P'000	P'000	P'000
Consumer Loans- NESC	86,161	86,017	85,809	85,721
Variance in loss allowance		144	351	440
Variance as % of loss allowance		0%	0%	1%

Trade Receivables	Current year	"4 years (2019-2022) Average"	"3 years (2020-2022) Average"	"2 years (2021-2022) Average"	1 year (2022)
	P'000	P'000	P'000	P'000	P'000
Mining	1,621	1,560	1,558	1,558	1,558
Commercial	80,031	77,951	78,310	78,196	77,881
Government	12,194	11,131	11,386	11,194	11,194
Domestic	19,698	19,492	19,484	19,484	19,463
Small Works Contractors	96,163	92,641	93,027	93,027	93,027
Grand Total	209,707	202,775	203,765	203,459	203,123
Variance in loss allowance		6,931	5,942	6,249	6,584
Variance as % of loss allowance		3.4%	2.9%	3.1%	3.2%

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

	2022	2021
	P'000	P'000
23 IRREDEEMABLE CAPITAL		
Balance at beginning of year	10,127,053	9,423,076
Transfers during the year	446,050	403,977
Reclassification of Debt Service Reserve Account funds	-	300,000
Balance at end of year	10,573,103	10,127,053
Irredeemable capital comprises contributions received from the Government of Republic of Botswana in respect of its obligations as the owner of the Corporation in terms of the Botswana Power Corporation Act (74:01).		
24 REVALUATION RESERVE		
Balance at beginning of year	5,960,043	4,561,424
Revaluation surplus for the year (net of taxes)	3,057,000	1,398,619
Balance at the end of year	9,017,043	5,960,043
The properties revaluation reserve arises on the revaluation of land and buildings, generation, transmission and distribution assets.		
25 OTHER RESERVES		
Balance at the beginning and end of year	1,803,087	1,803,087
The purpose of this reserve is to complement the funding requirements for capital expenditure for the Corporation's expansion program.		

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

	2022	2021
	P'000	P'000
26 DEFERRED INCOME - CONSUMER FINANCED PROJECTS		
Balance at beginning of the year	2,622,563	2,686,917
Additions	127,594	31,768
Amortisation	(119,547)	(96,122)
Balance at the end of the year	2,630,610	2,622,563

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

27 DEFERRED TAX LIABILITY

The movement on the deferred tax liability is as follows:

Balance at beginning of the year	(1,250,870)	(261,361)
Charge to the income statement for the year (note 11)	(157,605)	(749,321)
Current year reversal/(charge)	73,916	(60,659)
Under provision in respect of previous year	56,923	-
Deferred tax asset not recognised on interest claimable	(23,105)	(18,581)
Reversal of deferred tax asset on tax losses previously recognised	-	(403,476)
Deferred tax asset not recognised on current year tax loss	(265,339)	(266,605)
On gain on revaluation of land and buildings and generation, transmission and distribution assets	(528,450)	(240,188)
Balance at end of the year	(1,936,925)	(1,250,870)
Comprising:		
Property, plant and equipment	(2,044,977)	(1,320,113)
Deferred income - Consumer Financed Projects	71,209	70,002
Unrealised exchange (gain)/loss	(29,864)	(67,320)
Unrealised fair value loss on currency and interest rate swap	20,656	62,656
Non allowable expenses	42,528	140
Others	3,523	3,764
	(1,936,925)	(1,250,870)

Corporation has not recognised deferred tax asset on tax losses and the interest claimable as the management forecast of taxable income for next five years indicate that the Corporation will not be able to generate adequate taxable income to utilise these before they fall away.

Accordingly, deferred tax asset of P963 million (2021: P787 million) has not been recognised.

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

	Current		Non-current	
	2022	2021	2022	2021
	P'000	P'000	P'000	P'000
28 BORROWINGS				
Borrowings at amortised cost				
"Government of the Republic of Botswana (funded by Nordic Development Fund)" Industrial and Commercial Bank of China	2,556	2,616	23,008	26,163
	517,134	503,948	3,591,977	4,004,333
	519,690	506,564	3,614,985	4,030,496
Currency analysis of borrowings				
Foreign currency denominated			4,134,675	4,537,060
Total borrowings			4,134,675	4,537,060
		Interest Rate per annum		
"Government of the Republic of Botswana (funded by Nordic Development Fund)"		0.75%	25,564	28,779
Industrial and Commercial Bank of China		"Libor+ 160bps"	4,109,111	4,508,281
			4,134,675	4,537,060
The borrowings are repayable as follows				
Up to 1 year			519,690	506,564
2 - 5 years			2,078,760	2,026,256
Later than 5 years			1,536,225	2,004,240
Total			4,134,675	4,537,060

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

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

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

Movement during the year is as follows:

	2022	2021
	P'000	P'000
Balance at beginning of the year	4,537,060	5,446,217
Repayments	(518,022)	(460,353)
Exchange loss/(gain) on borrowings	115,637	(448,804)
Balance at end of the year	4,134,675	4,537,060

	2022	2021
	P'000	P'000

29 CONSUMER DEPOSITS

Consumer deposits-non current	80,016	84,470
Consumer deposits refunds-current	467	2,966
	80,483	87,436

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

30 TRADE AND OTHER PAYABLES

Trade payables and accruals	1,620,380	816,587
National Electricity Standard Cost levy payable to Government of Botswana	153,302	110,336
Reclassification from accounts receivable to accounts payable	92,695	55,785
Contract liability	36,853	37,081
Interest on borrowings	4,981	3,663
Retentions	814,281	798,971
Payroll related accruals	87,699	83,887
	2,810,191	1,906,310

"The average credit period on purchases from most suppliers is 30 days. No interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged at varying rates of interest per annum on the outstanding balance. The Corporation has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The directors deem the fair value of the trade and other payables to approximate their carrying amounts. Contract Liability relates to prepaid electricity not used up by customers as at year end.

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

30.1 Payroll Related Accruals Movement	Leave pay P'000	Gratuity P'000	Total P'000
Opening balance 1 April 2020	52,707	11,544	64,251
Charge for the year	17,640	9,824	27,464
Payments made during the year	(3,679)	(4,149)	(7,828)
Balance at 31 March 2021	66,668	17,219	83,887
Opening balance 1 April 2021	66,668	17,219	83,887
Charge for the year	11,035	10,836	21,871
Payments made during the year	(6,457)	(11,602)	(18,059)
Balance at 31 March 2022	71,246	16,453	87,699

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

	2022	2021
	P'000	P'000

31 ADVANCES – CONSUMER FINANCED PROJECTS

Advances received from customers	1,145,289	1,527,405
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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.

32 PROVISIONS

	Coal off-take penalty P'000	Litigation claims P'000	Total P'000
Opening balance 1 April 2020	124,705	57,397	182,102
Charge/(reversal) for the year	123,830	(35,489)	88,341
Payments made during the year	-	(4,200)	(4,200)
Balance at 31 March 2021	248,535	17,708	266,243
Opening balance 1 April 2021	248,535	17,708	266,243
Charge/(reversal) for the year	(200,507)	6,935	(193,572)
Payments made during the year	-	-	-
Balance at 31 March 2022	48,028	24,643	72,671

Coal off-take penalty

"In terms of the revised coal supply contract, should the Corporation fail to take an average annual delivery to a maximum agreed metric tonnes of coal during the period, penalties would be charged to the Corporation for the difference between the actual off-take and agreed tonnes. The estimated coal offtake penalty may vary as a result of the actual annual performance of the plants.

Litigation claims provision

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

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

	2022	2021
	P'000	P'000
33 LEASE LIABILITIES		
Balance at the beginning of the year	7,945	11,599
Lease terminations	(5)	(183)
New leases during the year	4,254	288
Interest expense	757	813
Repayments	(4,806)	(4,572)
Balance at the end of the year	8,145	7,945
The weighted average incremental borrowing rate for lease liabilities initially recognised as of 1 April 2019 was 8% per annum.		
Non Current	4,183	4,653
Current	3,962	3,292
	8,145	7,945
Maturity analysis		
Year 1	4,261	3,900
Year 2	3,271	2,825
Year 3	736	2,042
Year 4	443	196
Year 5	388	16
	9,099	8,979
Unearned Interest	(954)	(1,034)
	8,145	7,945
Amounts recognised in the income statement		
Depreciation expense of right-of-use asset	4,593	4,674
Interest expense on lease liabilities	757	813
	5,350	5,486

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

34 OTHER FINANCIAL ASSETS AT FAIR VALUE

	2022	2021
Financial assets carried at fair value through profit or loss (FVTPL)		
Balance at beginning of the year	438,839	856,542
Unrealised fair value gain/(loss) on the cross currency and interest rate swap	199,090	(417,703)
Balance at end of the year	637,929	438,839

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

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

34 OTHER FINANCIAL ASSETS AT FAIR VALUE (CONTINUED)

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

	Fixed interest rate		Basket currency split	
	2022	2021	2022	2021
	%	%	%	%
South African Rands	9.77	9.77	45	45
United States Dollars	4.09	4.09	23	23
Euro	4.87	4.87	17	17
British Pound	4.78	4.78	4	4
Chinese Yuan	4.40	4.40	7	7
Japanese Yen	4.22	4.22	4	4
			100	100

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

	2022	2021	2022	2021
	USD'000	USD'000	P'000	P'000
Notional hedged amount	361,191	406,647	4,109,111	4,508,281
Loan balance (Note 29)	(361,191)	(406,647)	(4,109,111)	(4,508,281)
Over hedged amount	-	-	-	-

35 COMMITMENTS

35.1 Capital commitments

Authorised but not contracted	95,621	85,066
	95,621	85,066

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

35.2 Operations and maintenance contract

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

Within one year	106,500	81,311
Later than one year but not later than 5 years	426,000	325,243
	532,500	406,553

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

	2022	2021
	P'000	P'000
36 NOTE TO THE STATEMENT OF CASH FLOWS		
Cash generated from operations:		
(Loss)/profit before tax	(492,775)	365,187
Interest income	(14,344)	(14,581)
Finance cost	129,278	141,578
	(377,841)	492,184
Adjustments for non-cash items:		
Depreciation of property, plant and equipment (Note 12)	754,587	655,391
Depreciation of right-of-use assets (Note 13)	4,593	4,674
Downward revaluation adjustment on substation building assets (Note 12)	38,463	30,836
Reclassification of maintenance expenses from opening balance	43	-
Movement in investments at amortised cost	2,376	5,414
Fair value (gain)/loss on cross currency and interest rate swap (Note 10)	(169,299)	423,721
Amortisation of deferred income - consumer finance projects (Note 27)	(119,547)	(96,122)
Unrealised exchange loss/(gain) (Note 9.2)	115,637	(448,804)
Effect of foreign exchange rate changes on cash and cash Equivalents	8,061	25,588
Movement in provisions	(193,572)	84,141
Profit on disposal of property, plant and equipment	(19)	(1,340)
	63,482	1,175,683
Working capital changes:		
(Increase)/decrease in standard cost recovery - NESC	(83,841)	79,718
Decrease/(increase) in consumer loans - NESC	8,686	(1,063)
Decrease/(increase) in consumer loans - hire purchase scheme	1,450	(741)
Increase in inventories	(30,538)	(34,955)
Decrease/(increase) in trade and other receivables	20,197	(48,059)
Increase in consumer loans - rural collective scheme	6,648	4,444
(Decrease)/increase in consumer deposits	(6,953)	7,368
Decrease in standard cost recovery	(1,418)	(1,030)
Increase/(decrease) in trade and other payable	903,881	(283,183)
Increase in advances - consumer financed projects	191,528	61,532
	1,009,640	(215,969)
Cash generated from operations	1,073,122	959,714

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

37 RETIREMENT BENEFITS

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

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

38 FINANCIAL INSTRUMENTS

38.1 Capital structure

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Corporation's overall funding strategy remains unchanged during the year ended 31 March 2022.

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

	2022	2021
	P'000	P'000
Gearing ratio		
Debt	13,165,369	12,427,195
Cash and cash equivalents	(304,444)	(567,452)
Net debt	12,860,925	11,859,743
Equity	15,111,307	12,258,637
Net debt to equity ratio (%)	(85%)	(97%)

38.2 Categories of financial instruments

Financial assets at amortised cost

Investments at amortised cost	414,054	447,283
Loans and receivables (including cash and cash equivalents)	557,188	616,048
	971,242	1,063,331

Financial assets held at fair value through profit or loss

637,929 **438,839**

Financial liabilities at amortised cost

8,419,810 **8,188,814**

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

38.3 Financial risk management objectives

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

38.4 Market risk

The Corporation's activities expose it primarily to the financial risk of changes in foreign exchange rates (see 38.5 below) and interest rates (see 38.6) below. The risk of movements in foreign exchange rates is mitigated through;

- maintaining money market investments in currencies that match the foreign loan obligations;
- maintaining foreign currency bank accounts to settle foreign currency obligations; and
- cross currency swaps per Note 34.

38.5 Foreign currency risk management

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

	Liabilities		Assets	
	2022	2021	2022	2021
	P'000	P'000	P'000	P'000
Denominated in the following currencies:				
United States Dollar	4,109,111	4,508,281	316,699	323,574
South African Rand	81,211	10,754	388	5,735
Euro	25,564	28,779	1,155	475
	4,215,886	4,547,814	318,242	329,784

38.5.1 Foreign currency sensitivity analysis

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

	2022	2021
	P'000	P'000
Increase in loss for the year	(19,488)	(21,090)

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

38.6 Interest rate risk management

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

The Corporation's financial assets exposed to interest rate include banks balances, investments at amortised cost and financial liabilities exposed to interest rate include borrowings. Refer to liquidity risk management section of this note for further details.

38.6.1 Interest rate sensitivity analysis

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

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

	2022 P'000	2021 P'000
Loss for the year would increase by	(23,786)	(22,014)

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

38 FINANCIAL INSTRUMENTS (CONTINUED)

38.7 Credit risk management

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

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

Counterparty	Credit Rating	Grade	Rating Agency	2022	2021
				P'000	P'000
Vunani Fund Managers	Not applicable	Not applicable	Not applicable	255	169
Barclays Bank of London	Baa2	Investment grade	Moody's	21,770	24,146
Access Bank of Botswana	B	Investment grade	Fitch Ratings	60,000	82,475
ABSA Bank of Botswana	BAA2	Investment grade	Fitch Ratings	56,400	71,352
Stanbic Bank Botswana	BA3	Investment grade	Moody's	322,008	328,345
First National Bank Botswana	BA2	Investment grade	Moody's	132	5,747
Botswana Investment Fund Management	BB	Investment grade	GRC	507	1,968
Standard Chartered Bank	A1	Investment grade	Moody's	6,945	14,412
Bank Gaborone	BBB	Investment grade	GRC	15,000	100,000
Total				483,017	628,614

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

38.8 Liquidity risk management

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

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

38 FINANCIAL INSTRUMENTS (CONTINUED)

38.8.1 Liquidity risk and interest tables

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

	Up to 1 year	2 to 5 years	more than 5 years	Total
2022	P'000	P'000	P'000	P'000
Interest Bearing	634,326	2,461,840	1,661,094	4,757,260
Non-interest bearing	4,196,971	80,016	-	4,276,987
	4,831,297	2,541,856	1,661,094	9,034,246

	Up to 1 year	2 to 5 years	more than 5 years	Total
2021	P'000	P'000	P'000	P'000
Interest Bearing	592,448	2,329,853	2,212,481	5,134,782
Non-interest bearing	3,542,120	84,470	-	3,626,590
	4,134,568	2,414,323	2,212,481	8,761,372

38.8.2 Facilities

"The Corporation has access to the following unutilised financing and overdraft facilities of P200 million (2021: P100 million)."

38.9 Fair value measurements

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

38.9.1 Fair value measurements recognised in the statement of financial position

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

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

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

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

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

38 FINANCIAL INSTRUMENTS (CONTINUED)

38.9 Fair value measurements (continued)

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

Financial assets	Fair value as at	Fair value as at	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
	P000	P000				
Cross currency and interest rate swap	Asset-637,929	Asset - 438,839	Level 3	<p>"Discounted cash flow (income approach) valuation technique. Firstly the cross-currency swap is valued on a clean basis excluding credit and debit valuation adjustments (CVA and DVA).</p> <p>The future cash flows of the two legs of the cross currency swap are projected in USD, based on market observable forward exchange rates as far as possible. These cash flows are then discounted using the 3 Month USD Libor swap curve, built from market observable money market instruments, FRA's (forward rate agreements) and swaps. Forward rates are calculated from the USD Libor swap curve to project the expected future 3 Month Libor Rates.</p> <p>Secondly a CVA and DVA adjustment is calculated by applying the default probabilities (PDs), loss-given default (LGDs) estimates and potential future exposures of the deal. The potential future exposure is calculated with the use of Monte-Carlo simulation techniques. The Hull-White single factor model is used to simulate multiple USD interest rate scenarios and Geometric Brownian Motion (GBM) processes are used to simulate multiple exchange rate scenarios.</p>	<p>For the clean valuation: The Botswana pula forward currency rate was unobservable after the four year point requiring an unobservable basis spread adjustment to the interest rate parity relationship used to project the future expected Pula currency rates.</p> <p>For the CVA and DVA valuation adjustment the following inputs were not directly market observable:</p> <ul style="list-style-type: none"> The default probabilities and loss given default estimates of the Corporation and Standard Bank plc. The correlation parameters between the currency pairs and interest rates (short term USD interest rates). The alpha and sigma parameters in the Hull-White single factor interest rate model. 	<p>The higher the Botswana pula currency basis spread the higher the fair value of the asset the higher Standard Bank PLC's default probability and LGD the lower the value of the swap.</p> <p>The higher the Corporation's default probability and LGD the higher the value of the swap.</p> <p>The higher the correlation of the parameters the higher the CVA and DVA adjustments. The higher the alpha parameter the lower the CVA and DVA adjustment.</p> <p>The higher the sigma parameter the higher the CVA and DVA adjustment.</p>

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

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

	2022	2021
	P'000	P'000
39 CONTINGENT LIABILITIES		
39.1 Public liability	-	10,800

The Corporation is a defendant in various public liability disputes and has disclaimed these liabilities. No provision in relation to these claims have been recognised in the financial statements, as legal advice indicates that it is not probable that a significant liability will arise. The claims are Nil (2021: P 4,200,000). The Corporation has no further contingent liabilities.

39.2 Claims for delay liquidated damages made under the EPC contract

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

40 RELATED PARTY BALANCES AND TRANSACTIONS

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

The following transactions and account balances with the Government of Botswana and government related entities are included in the financial statements.

40.1 Transactions with Government of Botswana and government related entities

	2022	2021
	P'000	P'000
Revenue from government related entities (Note 01)	646,285	673,696
Consumer tariff Subsidy (Note 07)	500,000	500,000
	1,146,285	1,173,696

40.2 Receivables from government related entities

Receivables from government related entities (Note 22)	100,169	105,220
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40.3 Remuneration of key entity personnel:

Salaries and other short term employee benefits	12,455	10,290
Terminal benefits	2,482	3,175
Board fees	1,025	958
	15,962	14,423

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

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

41 REMEDIAL WORKS - MORUPULE B POWER STATION

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

41 REMEDIAL WORKS - MORUPULE B POWER STATION (CONTINUED)

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

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

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

"In terms of section 17 of the Botswana Power Corporation Act (Chapter 74:01), the Corporation is required to conduct its affairs on sound commercial lines and to produce a net operating income by which a reasonable return can be measured. Inclusive of a consumer tariff subsidy provided by the Government of Republic of Botswana amounting to P500,000,000 (2021: P500,000,000), the Corporation has achieved an operating loss of P408,540,000 (2021: Operating profit of P469,152,000). Thus, it has not complied with all the requirements of financial provisions of the Act.

43 GOING CONCERN

Inclusive of a consumer tariff subsidy of P500,000,000 (2021: P500,000,000) provided by the Government of the Republic of Botswana, the Corporation has recorded an operating loss of P408,540,000 (2021: Operating of profit P469,152,000) and a loss after tax for the year of P650,380,000 (2021: Loss of P384,134,000). As at 31 March 2022, the Corporation has an accumulated loss of P6,281,926,000 (2021: P5,631,546,000) and as of that date the Corporation's current liabilities exceed its current assets by P3,435,354,000 (2021: P2,991,672,000).

The Ministry of Mineral Resources and Energy recognises that the Corporations' tariffs are yet to reach cost recovery levels, thus the Corporation's financial position continues to detract from its ability to finance its operations on a sustainable basis. Further, it has confirmed (on a non-binding basis) that the Ministry will continue to facilitate and support the Corporation's requests and motivations to Government for cost-efficient tariff as well as, where necessary, support for revenue shortfalls. In pursuit of this commitment, the Government of the Republic of Botswana has allocated P600,000,000 towards mitigation for the Corporation's financial shortfall for the financial year 2022/2023. The Government of the Republic of Botswana has historically provided financial support to the Corporation by way of annual tariff subsidies. Such support is expected to continue in future periods, as confirmed through past actions and in writing by the Ministry of Mineral Resources and Energy.

Based on the foregoing, the Corporation has prepared the financial statements on the going concern basis.

BOTSWANA POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022 Continued...

The Corporation's operating cash flow forecasts for financial year 2022/23 indicate that it would generate sufficient net cash flows to remain a going concern. Such forecasts take account of continuing financial support from the Government of the Republic of Botswana through a P600,000,000 consumer tariff subsidy (which has been confirmed as not legally binding) and other cash flows which are dependent on the Corporation being able to complete ongoing remediation works and operate its Morupule B Plant at expected capacity. Failure to generate electricity to plan will require the Corporation to import units from regional power suppliers. Such imports have historically been more expensive than internally generated units, placing significant strain on the Corporation's cash flows.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

44 EVENTS AFTER THE REPORTING PERIOD

The Members of the Board are not aware of any matters or circumstances arising since the end of the financial year that would have a significant impact on the financial position of the Corporation or the result of its operations.

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