



BOTSWANA POWER CORPORATION

MOVING TOWARDS A SUSTAINABLE FUTURE

**BOTSWANA POWER CORPORATION
ANNUAL REPORT 2021**





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PRINTED & ONLINE SECTION

This Annual Report strives to provide a holistic overview of the performance of Botswana Power Corporation and its efforts throughout the period under review, designed with clear sections and themes for the ease of the reader. An online version of this Annual report can be found at www.bpc.bw

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

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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 Mineral Resources, Green Technology and Energy Security.

BPC is regulated by the Botswana Energy Regulating Authority (BERA). From April 2016, the Corporation implemented its five-year transformation strategy, Masa 2020, whose objectives are to ensure that BPC becomes a financially self-sustaining entity which is a regional benchmark in electricity supply.



Theme



We acknowledge the past challenges of low internal generation owing to reliability of our generation fleet. Therefore, the Corporation has assumed a sustainable approach to its challenges. 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: "Moving Towards a Sustainable Future". The next five year strategy's focus is on achieving operational efficiency, revamping the corporate brand and implementing a top-notch risk management plan. According to Moodys, BPC generation business have material exposure to carbon

transition risk. The Corporation's mitigation plan is its commitment to using sustainable generation technologies and to green energy by rolling out several renewable energy projects that will be realized over the next five-year strategy.

In moving towards sustainability, 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.

BPC Strategic Plan: 2021 - 2026

The Corporation's new strategic plan is based on the following strategic priorities:

- Attain Financial Sustainability
- Improve Asset Management
- Improve Employee Experience
- Establish Project Execution Capabilities
- Improve Operational Excellence
- Achieve Zero Harm
- Improve Corporate Image
- Increase Generation Capacity

OUR MISSION

We power the economy with pride by supplying reliable, safe, competitive and sustainable electricity.

OUR VISION

A regional benchmark in electricity supply.

OUR VALUES

- Team Player
- Passion for Excellence
- Zero Harm
- Ethical Conduct
- People First



Value Added Statement

	2021 P'000	2020 P'000
VALUE CREATED		
Revenue	4,023,057	3,398,553
Consumer Tariff Subsidy	500,000	600,000
Other Income	324,785	129,379
Less Energy Inputs and Other Expenses	(3,054,374)	(4,121,766)
	1,793,467	6,166
Finance Income	14,581	29,262
TOTAL VALUE CREATED	1,808,049	35,428
VALUE DISTRIBUTED	1,536,792	853,149
Employees-Salaries and Benefits	645,893	591,406
Finance Costs to Lenders	141,578	261,743
Taxation to Government	749,321	-
VALUE RETAINED (DEVELOPMENT AND MAINTENANCE)	271,257	(817,721)
Depreciation	655,391	585,374
Net Profit/Loss	(384,134)	(1,403,095)
TOTAL VALUE DISTRIBUTED AND RETAINED	1,808,049	35,428
VALUE CREATED (P'000)		
Revenue per employee	2,100	1,847
Value Added per employee	944	19
Value Added per GWh generated	479	9

Operational Highlights

TOTAL REVENUE

INCREASED BY

↑ **18%**

TO P4.023 BILLION IN 2021 COMPARED TO P3.398 BILLION AS AT 2020

OTHER OPERATING INCOME

STOOD AT P324.785 MILLION

↑ **151%**

AGAINST P129.379 MILLION RECORDED IN 2020

TOTAL OPERATING EXPENDITURE

TOTAL OPERATING

↓ **10%**

EXPENDITURE OF P4.378 BILLION IN 2021 REFLECTING 10% DECREASE FROM PRIOR YEAR P4.839 BILLION

TARIFF SUBSIDY

TARIFF SUBSIDY

↓ **17%**

REDUCED FROM P600 MILLION IN THE PRIOR YEAR TO P500 MILLION

POWER PURCHASES

DECREASED TO

↓ **36%**

P1.417 BILLION IN 2020 FROM P2.208 MILLION IN 2020

CURRENT ASSETS

INCREASED FROM

↑ **2%**

P1.495 BILLION IN 2020 TO P1.522 BILLION



TOTAL COMPREHENSIVE INCOME

RECORDED A PROFIT OF P1.014 BILLION

⬆️ **197%**

COMPARED TO A LOSS OF P1.046 BILLION IN 2020

NON- CURRENT ASSETS

INCREASED TO

⬆️ **6%**

P23.163 BILLION
COMPARED TO
P21.881 BILLION
IN 2020

NON- CURRENT LIABILITIES

DECREASE TO

⬇️ **1%**

P7.993 BILLION AGAINST
P7.932 BILLION REGISTERED IN
2020

CURRENT LIABILITIES

DECREASE TO

⬇️ **10%**

P4.434 BILLION
COMPARED TO P4.903
BILLION IN 2020

SHAREHOLDER'S EQUITY

FROM

⬆️ **16%**

P10.540 BILLION IN 2020
IT INCREASED TO P12.258
BILLION IN 2021



Key Annual Statistics

For the year ended 31 March 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total unit sales (GWh)	3,201	3,321	3,294	3,336	3,349	3,479	3,495	3,449	3,310.1	3,197.7
Total generation (sent out) and imports	3,774	3,997	3,925	3,844	3,928	4,043	4,024	3,704	3,650.1	3,590.9
Staff Establishment	1,923	1,870	1,667	1,946	2,106	2,117	1,964	1,922	1,977	2,047
Total consumers	519,212	491,627	463,250	434,795	410,409	386,024	367,003	343,050	315,669	291,338
Plant capacity Morupule B (MW)	600	600	600	600	600	600	600	600	-	-
Plant capacity Morupule A (MW)	132	132	132	132	132	132	132	132	132	132
System maximum demand (MW)	626	561	587	549	586	595	610	572	578	542
Average selling price per unit (Thebe/kWh)	126	104	105	94	84	82.1	72.5	65.5	60	57
Average cost per unit (Thebe/kWh)	127	142	104	99	126	139	129	104	109	85

Operating Results (P'000)

Total Revenue	4,023,057	3,398,553	3,363,144	3,009,561	2,768,846	2,857,161	2,533,578	2,260,196	1,984,200	1,815,601
Net Operating Expenses	4,053,905	4,710,445	3,435,165	3,308,743	4,207,982	4,851,042	4,519,671	3,586,058	3,606,721	2,635,037
Operating Profit/(loss) before Revenue Grant	(30,848)	(1,311,892)	(72,021)	(299,182)	(1,439,135)	(1,993,881)	(1,986,093)	(1,325,862)	(1,622,521)	(819,436)
Revenue Grant from the Government of Botswana	500,000	600,000	800,000	1,457,000	1,667,500	2,321,360	2,326,800	1,488,000	871,000	508,000
Operating profit/(loss) after Revenue Grant	469,152	(711,892)	727,979	1,157,818	228,365	327,479	340,707	162,138	(751,521)	(311,436)
Net Profit/(Loss)	(384,134)	(1,403,095)	201,921	674,108	(140,247)	(99,613)	(274,905)	114,053	(1,254,836)	(1,122,872)

Key Annual Statistics

For the year ended 31 March 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Capitalisation (P'000)										
Long term debt	4,537,060	5,446,217	5,393,293	5,219,490	6,215,308	6,953,734	6,743,406	6,330,541	6,313,407	5,359,783
Net assets	12,258,638	10,540,175	10,784,690	9,644,289	6,550,883	5,030,983	4,546,958	4,758,887	4,464,695	4,344,744
Capital expenditure and WIP	759,871	1,887,696	1,023,771	1,468,046	1,818,737	1,052,189	358,218	423,346	989,467	1,786,583
Electricity (GWh) Source										
Morupule A	687	425	27	28	0	0	0	0	46	250
Morupule B	1699	1697	3200	3399	2994	2604	2795	2038	714	0
Station usage	369	265	403	428	374	326	410	292	91	30
Emergency Generation	94	54	0	5	11	86	64	175	112	73
Sent out	2112	1910	2824	3004	2631	2365	2449	1921	780	293
Purchased	1662	2087	1101	840	1297	1679	1575	1783	2981	3371
Total sent out and purchased	3774	3997	3925	3844	3928	4043	4024	3704	3762	3664
Sales Disposition (GWh)										
Mining	596	640	669	676	837	1114	1194	1197	1128	1086
Commercial	1059	1167	1132	1149	1107	1087	1059	1028	982	910
Domestic	1226	1161	1091	1065	1022	955	941	927	918	879
Government	317	311	316	319	314	323	301	297	282	323
Southern African Power Pool	2	42	86	127	70					
Total sales	3201	3321	3294	3336	3349	3479	3495	3449	3310	3198

Key Annual Statistics

For the year ended 31 March 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Transmission and Distribution Losses (GWh)	573	676	632	509	579	564	529	255	452	466
System losses (%)	15.18%	16.91%	14.00%	14.89%	16.29%	15.18%	14.64%	7.47%	10.3%	12.3%
Total consumers	519,212	491,627	463,250	434,795	410,409	386,024	367,003	343,050	315,699	291,338
Sales growth (%)										
Mining	(7%)	(4%)	(1%)	(19%)	(25%)	(7%)	(0.2%)	6%	4%	(2.8)
Commercial	(9%)	3%	(1%)	4%	2%	3%	3%	5%	8%	11%
Domestic	6%	6%	2%	4%	7%	2%	1%	1%	4%	1%
Government	2%	(1%)	(1%)	2%	(3%)	7%	1%	5%	(13%)	5%
Total sales (decline) growth	(4%)	1%	(1%)	0%	(4%)	0%	1%	4%	4%	3%
Earning ratios (%)										
Net margin	9.5%	(41.3%)	6.0%	22.4%	(5.1%)	(3.5%)	(10.9%)	5.0%	(63.2%)	(61.8%)
Earnings to irredeemable capital	5.1%	(7.6%)	8.4%	14.7%	3.6%	7.0%	8.3%	4.0%	(20.3%)	(9.7%)
Return on total average assets employed	(1.6%)	(6.0%)	0.9%	3.2%	1.2%	1.8%	2.0%	1.0%	(4.6%)	(2.1%)
Operating Profit/(loss) to revenue	12.4%	(20.9%)	21.6%	38.5%	8.2%	11.5%	13.4%	7.2%	(37.9%)	(17.2%)
Return on revalued Property, Plant and Equipment (%)	2.2%	(3.4%)	3.8%	6.2%	1.4%	2.1%	2.3%	1.1%	(4.6%)	(2.1%)



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LEADERSHIP

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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 2021.

This was the final year of the five (5) year MASA 2020 Transformation Strategy, which aimed to deliver on its promise of a self-sustaining Corporation that provides reliable and affordable access to electricity.

This was a challenging journey in which we made significant progress towards the security of the supply of electricity and laid a foundation for renewable energy and financial sustainability. Concerning the year under review, the Corporation rebounded from a P1.5 billion loss before tax in the prior year to a marginal profit before tax under the COVID-19 induced tumultuous economic environment. We pride ourselves on having maintained resilience and optimized performance during a period in which the whole world was fighting an unknown enemy, COVID-19.

The closure of the MASA 2020 chapter means that we set out on another exciting 5-year journey building on the foundations of MASA 2020. The Corporation has developed a new strategic plan to succeed MASA 2020 through a facilitated collaborative process. In developing this strategic plan, various stakeholders were engaged to provide input, including the BPC Board, BPC Executive Management, BPC employees, BPC Workers Union, South African Power Pool (SAPP), Government of Botswana (the Government), customers, suppliers, and research institutions to ensure that the needs and expectations of stakeholders are considered. Insights were drawn from the implementation of MASA 2020 and incorporated into the new strategy.



Chairman's Review (Continued)

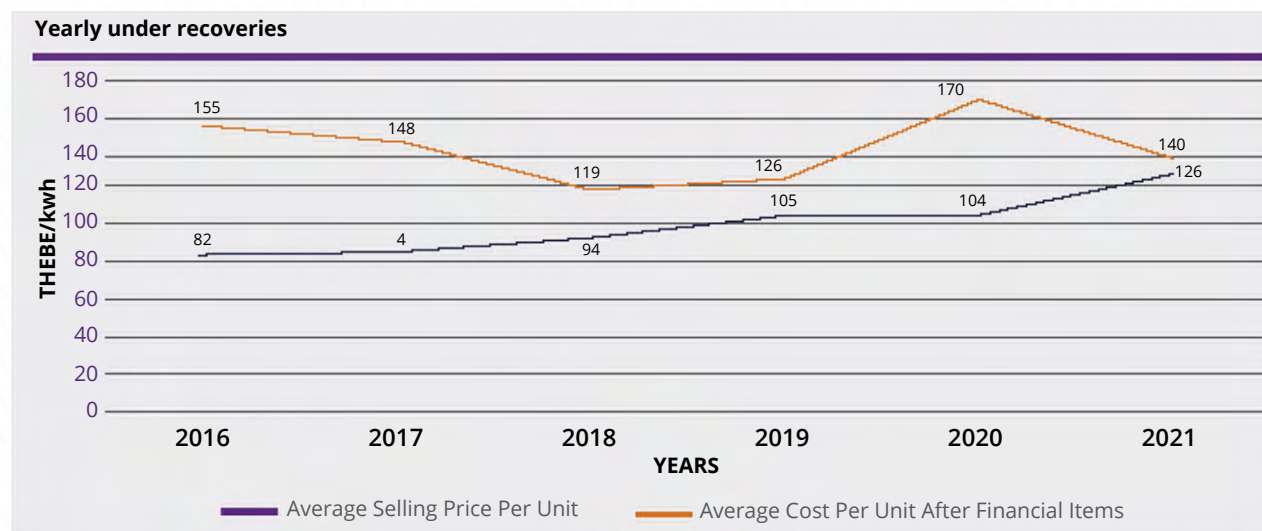
The focus of the new strategy is to make Botswana Power Corporation “a regional benchmark in electricity supply”. In addition to ensuring the security of electricity supply, the new strategy seeks to improve asset management and establish project execution capabilities both of which have been the Achilles’ heel of MASA 2020.

FINANCIAL TURNAROUND

The MASA strategy anticipated the achievement of financial sustainability by the Corporation. This was not achieved largely due to the poor generation performance. Over the 5 years, the Corporation has accumulated net losses amounting to P240 million. Nevertheless, during the same period for the first time after many years, the Corporation experienced 3 years of profit-making.

This indicated our potential to be financially self-sustaining in the midst of the fragile performance of Morupule B Power Station (MBPS). We are pleased to have recorded a turnaround financial performance of P365 million profit before tax in 2021, following a more than a P1.5 billion loss in 2020.

During the MASA 2020 Strategy, our dependence on Government Subsidies significantly decreased from P1.4 billion to P500 million. This was a positive development as the Government intends to move the Corporation towards cost-reflective tariffs. I am pleased to announce that we have made good progress as we believe that in the next few years we will not need tariff subsidies to ease the burden borne by the Shareholder.



“During the MASA 2020 Strategy, our dependence on Government Subsidies significantly decreased from P1.4 billion to P500 million.”

Chairman's Review (Continued)

With the advent of the new strategy, the Corporation will focus on achieving operational efficiencies to consistently churn out returns to comply with Section 17 of the Botswana Power Corporation Act [CAP 74:01], whereby 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.

SECURITY OF SUPPLY

The Corporation made progress towards improving the security of the supply of electricity. The Corporation's strategic projects were aimed at increasing the production of electricity from internal sources to meet the growing peak demand and thus reduce the reliance on expensive power imports.

Morupule A Power Station

During MASA 2020 strategy period, we managed to complete the refurbishment of Morupule A Power Station (MAPS) and it has been in full commercial operation since the 2020 financial year. During the 2021 financial year, MAPS contributed 17% of the total electricity supply.



Morupule B Power Station

Our baseload power station, Morupule B Power Station's (MBPS) performance has been impeded by the defects identified on its four (4) units during commissioning. During the MASA 2020 strategy period, we experienced logistical delays in respect of remediation works of the plant. The Corporation commenced the 4-year long MBPS Remedial Works in June 2019, which shall culminate in improved reliability of the power station. The remediation works were adversely impacted by the restricted movement of persons globally in 2020 due to the COVID-19 outbreak. The above-stated circumstances have moved the commissioning date of the first unit towards the end of 2021. We are optimistic that by 2025, the remediation process will be complete, and the

power station will reach optimum performance. During the year under review, the total generation from MBPS amounted to 41% of the total electricity supply. Whilst it is underperforming, the plant remains the backbone of power generation for the country and therefore its remediation is of critical importance to ensure that the local energy demand is met.

To supplement the local power generation, we have well-serviced emergency power plants at Matshelegabedi (70 MW) and Orapa (90 MW) which are the country's contingency plan in the event of power supply deficits. Furthermore, we continue to meet the energy deficit from bilateral power agreements with the regional power utilities after fully participating in trading on the Southern African Power Pool (SAPP) market. However, the growing power supply challenges in the region resulted in less energy available for trading. Some of the areas along the border that are not connected to the national transmission grid continue to be supplied from the neighbouring countries at various points. The focus of the new strategy is to consolidate the security of supply and further increase generation capacity.

RENEWABLE ENERGY

The Corporation has initiated projects to generate electricity through Solar Photovoltaic (PV) Technologies. Renewable Energy projects will not only increase the local supply of energy, they will also reduce carbon emissions in line with the Corporation's long-term renewable energy targets. The initiatives intended to aid the achievement of a new energy mix through Independent Power Producers (IPPs) are mainly related to the 2 x 50 MW and 12 grid-tied Solar PV projects.

The Request for Proposal for the 2x50MW PV project was issued to prequalified bidders during February 2020 and the tender closed in December 2020. The selection and award of the tender was expected to be concluded during April 2021. The design, procurement, construction, and commissioning of the solar power plants is estimated to take less than 12 months after financial close.

The 12 Villages Grid-tied Solar projects progressed during the year under review with the completion of Power Purchase Agreements (PPAs) negotiations with the successful bidders for the development of a 1MW Solar plant at Shakawe and a 3MW Solar Plant at Bobonong. The Botswana Energy Regulatory Authority (BERA) has reviewed and approved the PPAs. BPC and the bidders signed the PPAs in June 2021. The estimated commercial operation date is 6 months from the signing of the PPA.

The remaining 10 locations were re-tendered and bids were to be submitted by 21 August 2020. Adjudication and subsequent award of the bids shall be finalised during the 2022 financial year.

OTHER MILESTONES FOR 2021

It is without a doubt that the year has borne results in the achievement of critical milestones of BPC's major projects. Our stakeholders can remain confident that the Corporation is improving its infrastructure to ultimately deliver quality, reliable and continuous service across the country. We remain customer-oriented and we have undertaken projects aimed at improving customer service.

North West Transmission Grid Connection (NWTGC) Project Phase 1

The Corporation achieved progress on the NWTGC project. The project was targeted for completion by the end of March 2020 but due to remedial works on the 400kV towers and the Covid-19 pandemic, the project was completed in December 2020 save for the 220kV Legotlhwane to Ghanzi line. This line will be completed in March 2022.

The transmission grid will relieve the Northwest areas of the country from reliance on cross-border supply from Namibia while at the same time reliable electricity supply will be achieved. This development will support the mining, tourism, and other Government activities with the required capacity thus contributing towards the development of a diversified economy in the Northwest region of the country.

Distribution Network

The Distribution Network Refurbishment program which commenced with Phase 1 in 2019 progressed into Phase 2 during the year under review. The projects under Phase 2 comprised new installations and upgrades of substations, cables, and overhead lines aimed at addressing various system requirements such as network reinforcement and load growth to enhance the reliability and security of the power supply. There was little progress made largely due to the COVID-19 pandemic. These projects are implemented to improve service delivery and customer experience.

Rural Electrification

In support of the Government's intention to increase access to electricity by Botswana, the Corporation continues to be the sole implementer of the Country's Rural Electrification Project. The electrification of 116 villages which got underway in October 2018, attained overall progress of 98% in March 2021. The programme experienced logistical challenges due to movement and travel restrictions, particularly during the early stages of the COVID-19 outbreak. This project is executed in line with the Government's Citizen Economic Empowerment (CEE) and Economic Diversification Drive (EDD) initiatives by ensuring that all contractors engaged are 100% citizen-owned.

Chairman's Review (Continued)

SAFETY, HEALTH, ENVIRONMENT AND RISK (SHER) CULTURE

The nature of our business demands thorough implementation and adherence to Safety, Health, Environment, and Risk policies and standards. There has been significant improvement in the implementation of the risk management structure which consolidated all risk functions within the Corporation. Our safety standards were enhanced by engaging with contractors on safety management as well as conducting customer-oriented education on public safety.

The Corporation recorded no fatalities internally, however, a public liability fatality was recorded during the year. The efforts to promote a SHER culture within the BPC environment and business partners will continue into the next financial year as we drive towards the achievement of Zero Harm.

Enterprise Risk Management is of critical importance to the operations of BPC's business. For the year under review, implementation of a new risk management structure was initiated with key objectives including and not limited to the Employee Risk Management framework which was aligned to ISO 31000.

HUMAN CAPITAL

The Corporation is one of the largest entities in the country, based on the large staff complement. As MASA 2020 drew to a close in the 2021 Financial Year, the Corporation continued to recruit and retain talented employees, as the success of the Corporation is reliant on skilled and competent employees especially for strategic roles in Generation, Transmission, and Distribution and other business-critical roles.

During the year, the Board and Management of BPC resolved to inculcate a high-performance culture across the business by exposing employees to relevant training and behavioural transformation initiatives. We are therefore confident that so far we have attracted appropriately skilled and competent employees and we are looking forward to impactful performance output in the next financial year and beyond.



Chairman's Review (Continued)

COMMUNITY INVOLVEMENT

We continue to share love and show compassion to various communities in need. Through its Corporate Social Responsibility (CSR) mandate, the Corporation has transformed the lives of school children, youth, the elderly, women, and the sports sector. During the year under review, we made contributions to the improvement of basic education, health, and wellness through funding of beneficiary groups.

BEYOND THE HORIZON

MASA 2020 has significantly achieved some of its objectives, with other areas being addressed to ensure that the Transformation Strategy holistically fulfils its objectives. Focused performance input will ultimately deliver the desired output for the country regarding the provision of reliable power supply. The ongoing projects to diversify power generation sources will provide a new energy mix coupled with improved local generation capacity.

As we move into a new strategic era, the Corporation will seek to ensure an improved quality of service to its customer base. Areas of focus include improvement of access to service channels through the use of technology, optimization, and automation of business processes, and re-orientation of the workforce to ensure a customer-centric culture.



Chairman's Review

(Continued)

APPRECIATION

I would like to thank the Shareholder for continuing to support and entrust us with the mandate to drive the economic growth of Botswana through the provision of reliable electricity. This mandate is becoming even more critical as the Government embarks on the economic transformation strategy. The Corporation looks forward to playing a critical role in ensuring that the Government's Integrated Resource Plan (IRP) objectives are achieved.

On behalf of the BPC Board of Directors, I wish to offer my gratitude to the outgoing Board, who drove the MASA 2020 strategy with grit and determination against the odds. In addition, we are grateful to Management and employees for their invaluable contribution during the year. The 2021 financial year was the most challenging period of MASA 2020, but our people remained resilient and focused.

The adverse impact of the COVID-19 global pandemic touched all sectors of the economy including the electricity sub-sector. I welcome the incoming Board and look forward to our professional collaboration to guide the Corporation to a sustainable future.



Professor Oboetswe Motsamai
Board Chairman





Board Members Profiles

Professor Oboetswe Motsamai Chairperson

Professor Motsamai is a Mechanical and Aeronautical Engineering Professor in the Department of Mechanical Engineering, at the University of Botswana. 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 including in the Senate. 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 several organisations in engineering related projects, notably CEDA and LEA amongst others.



Board Members Profiles (Continued)

Pelaelo Khowe Member

Mr. Khowe is currently the Financial Advisor under the Coal Development Unit in the Ministry of Mineral Resources, Green Technology and Energy Security. He is responsible for the management of finances of Ministerial mega projects, advising on financial data and the implications of business decisions, advising on policy issues relating to finances and the Ministerial budget. Further he provides guidance on financial models to be applied. 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.



Robert Akanyang 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 the education; retail; commercial; health; residential housing; industrial; religious; and tourism sectors, having begun in 1999.

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 previously held the Chairman 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.



Board Members Profiles

(Continued)

Lilly Sullivan 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 in Senior/ Executive Management roles. She is currently in the employ of Mascom Wireless since 2009, and currently holds the position of Chief Information Officer.

She holds a Master of Business Administration from the University of Warwick, UK. She has qualifications in BTEC High National Diploma, 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 Human Resource Development Council in the ICT sub-committee, and her professional memberships include Information Systems Audit and Control Association, and Business Continuity Institute.



Mothusi Obateng 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 BancABC 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 Member

Ms. Rabashwa is a Human Resources professional with 15 years of experience in the mining and financial services industries. 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 ascended to the role of Chief Industrial Relations Officer.

She also amassed her experience from First National Bank Botswana where she was a 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.



Board Members Profiles

(Continued)

Moleko Majaha Member

Mr. Majaha is an Engineer with over 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, United Kingdom, in 1994 and he holds a qualification in Project Management Professional (PMP) from the Project Management Institute.



Philiso Phodiso Valashia Member

Mr. Valashia is a widely experienced executive, specialisation in trade facilitation and customs, 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 on the Board of the Botswana Competition Authority and has sat as a member of the Botswana Unified Revenue Service (BURS) Executive Committee since 2012. Mr. Valashia is currently the Commissioner of Operations at BURS and is, inter alia, responsible for all tax and customs operations of the Organization.



Moreri Sebonego Member

Mr. Sebonego is a seasoned Attorney with over 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.



Chief Executive Officer's Review

It is my honour to present the Botswana Power Corporation's (BPC) report for the year ended 31 March 2021. This year was challenging for everyone as the whole world had to grapple with the realities and scourge of COVID-19.

The Corporation was not spared from the economic impact of COVID-19. This financial year also marks the conclusion of the 5-year MASA 2020 Transformation Strategy (MASA 2020) and the advent of a fresh strategy that builds on the foundation laid by MASA 2020. Security of supply and financial turnaround were the underpinning pillars of MASA 2020. We concede that even though there was a significant effort made towards achieving these objectives, there is still more to do. The next strategy builds on past efforts and seeks to position the Corporation as a regional benchmark in electricity supply. The remediation and reliability of Morupule B Power Station (MBPS) is critical to the realization of this vision.

FINANCIAL HIGHLIGHTS

Despite the challenges posed by the advent of COVID-19, during the year under review the Corporation showed its resilience by overturning the prior year's P1.5 billion loss before tax to achieve P365 million profit before tax. We take pride in having achieved profitability under this hostile environment. The Corporation remains vulnerable on account of MBPS whose performance remains inconsistent resulting in significant power imports.



Chief Executive Officer's Review (Continued)

During the year under review, the total revenue increased by 18% to P 4.023 billion, compared to P3.398 billion as at 31 March 2020. The increase in revenue was mainly attributable to the 22% tariff adjustment awarded for the year under review. 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

P 324.785 million recording an increase of 151% from P 129.379 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.

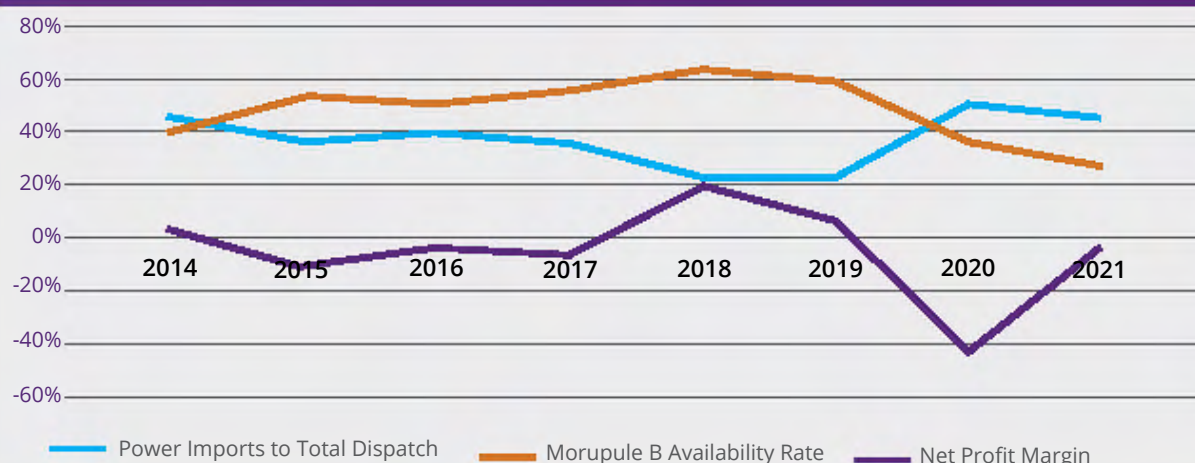
Total Operating Expenditure for the year was P 4.378 billion compared to P 4.839 billion in the prior year, reflecting a 9.5% decrease (P461 million) compared to 2020. This can be attributed to optimizing power

imports by actively participating in the Southern African Power Pool. The Total Comprehensive Profit recorded for the year, after financing activities and income tax credit, was P 365 million compared to the P 1.518 billion loss in 2020.

The Total Non-Current Assets net of depreciation increased by 6% (P 1.282 billion) to P 23.163 billion (P 21.881 billion in 2020), mainly attributable to:

- P 759 million with Additions during the year consisting mainly of work in progress for the Northwest Transmission Grid Connection Project;
- P 1.638 billion electrical 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
- a decrease in the value of the derivative instrument from P 856 million to P 438 million. The hedge remained favourable to BPC as it was in the asset position.

MBPS Performance Vs Net profit Margin



“Despite the challenges posed by the advent of COVID-19, during the year under review the Corporation showed its resilience by overturning the prior year’s P 1.5 billion loss to achieve P 395 million profit before tax.”

Chief Executive Officer's Review (Continued)

The Current Assets increased by 2% from P 1.495 billion to P 1.522 billion for the year under review largely due to an increase in inventory for small works projects. The Capital and Reserve (Shareholder's equity) was reported at P 12.258 billion, against P 10.540 billion recorded in the prior year, reflecting an improvement of 16 % (P 1.718 billion) from the prior year's position. Non-current liabilities increased by 1% (P 60.161 million) to close the year at P 7.993 billion against P 7.932 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 decrease of 10 % (P 469.291 million) to P 4.434 billion compared to P 4.903 billion in the prior year. This largely as a result of reclassification of P 300 million Debt Service Reserve Account from government from liability to equity.



CUSTOMER SUPPORT DURING COVID-19 OUTBREAK

Due to the State of Emergency occasioned by the COVID-19 pandemic at the beginning of the year, most business operations were adversely affected, to varying degrees, and experienced significant hardships to sustain their operations. Some businesses had to discontinue operations while others had to scale down operations from 1 April 2020 when the country was placed under lockdown. Other businesses in the hospitality and tourism industry experienced hardships as early as January 2020 when the tourism industry worldwide was affected by the outbreak of the coronavirus in China, Europe, United States of America (USA), and other countries. Given the foregoing, electricity consumption by the commercial and mining sectors significantly declined due to the economic downturn resulting from COVID-19 control measures being imposed worldwide.

The net effect of the economic downturn was that several businesses were experiencing hardships to the extent that they were unable to meet their payment obligations for the electricity they consumed (albeit reduced) and obligations on maximum demand charges. Several customers have approached the Corporation requesting relief from paying the maximum demand charges due to financial constraints. The pressure on customers was compounded by the recent tariff increase of 22%.

To alleviate the COVID-19 conundrum, the Corporation identified large users of electricity who are charged maximum demand charges and resolved to support this segment of distressed businesses by waiving the maximum demand charges for 4 months. As a result of this, the Corporation waived revenue of P 21 million.

ONGOING PROJECTS

In our efforts to ensure power security for the nation of Botswana, together with the Government of Botswana, we are engaged in several projects.

Morupule B Power Station remedial works

The average plant availability rate of MBPS for the year 2021 was 32% contributing 41% of the energy dispatched to meet the national demand. This reflects the fact that despite its challenges, the plant remains the baseload supply. MBPS did not achieve its target of providing 600 MW due to its construction and equipment defects. Accordingly, the Corporation signed a Defects Remediation Agreement with the main contractor of the plant. The agreement will result in the remediation of all MBPS's defects in a phased manner, the works commenced in June 2019 and shall be completed by December 2022. Engineering works for the defect's remediation are complete and most of the equipment for remediation of the first Unit was delivered to the site. The first Unit is expected to be handed over in December 2021.

North West Transmission Grid Connection Project (NWTGC)

During the year under review, the Corporation achieved notable progress on the NWTGC. The project which commenced in January 2019 was targeted for completion by the end of March 2020 but due to the impact of the COVID-19 pandemic, the project was completed in December 2020 save for the Ghanzi line. The Ghanzi line will be completed in March 2022.

The project will not only afford the Northwest areas reliable electricity supply but will support flourishing mining and tourism activities in the region hence making a large contribution to the diversification of the economy.

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. Two of the four bulk supply points being Gaphatshwa and Ramotswa were successfully commissioned during the year under review. The construction and commissioning of the other two bulk supply points being Mochudi and Tlokweng will be completed by the end of July 2022.

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, attained overall progress of over 90%. The programme faced several challenges as a result of the restriction of movement during the State of Emergency which hampered the project completion timelines.

Chief Executive Officer's Review (Continued)

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. The Corporation subscribes to both local and international laws, regulations, and other requirements and strives to implement international best practices such as ISO 14001:2015 and 4500:2018 for continuous improvement.

In line with the just-ended MASA 2020 transformation strategy, Zero Harm is the key element of the thematic area of “making BPC proud again”. 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 dedicated to maintaining the same.

The Corporation recorded 1 fatality during the year under review in comparison to the previous year where 3 fatal accidents were recorded.

For the year under review, Lost Time Injury Frequency Rate (LTIFR) was at 0.55 against a target of 0.45. The injuries mainly involved BPC employees and contractors' employees, compared to the previous financial year wherein most incidents affected contractors' employees.

The root cause analysis indicated that most incidents were a result of non-compliance with BPC safety rules and unauthorized switching (electrical isolation) by employees, and improper use of various hand tools like grinders, spanners, and chain saws. Fingers and hands were trapped, pinched, or hit by objects.

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.

The Corporation participated in the national project facilitated by the Department of Waste Management and Pollution Control. The

national project required stakeholders who have equipment that may contain Polychlorinated Biphenyl's (PCBs), to take an inventory of the same and to avail all PCB positive equipment for subsequent disposal. The said equipment was to be disposed of under the Project for the Disposal of oils contained in transformers and disposal of capacitors containing PCB in Southern Africa (GEF ID 5532), which is coordinated by the Africa Institute.

To reduce 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. The monitoring station was commissioned and calibrated in December 2019.

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

Chief Executive Officer's Review (Continued)

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 government to ensure that all strategic risks are tracked and mitigated, and ensuring that opportunities presented by such risks. Management is tasked with ensuring that risk management is effective.



Chief Executive Officer's Review (Continued)

HUMAN CAPITAL

During the MASA 2020 strategy, the Corporation made strides in inculcating a high-performance culture that encourages performance excellence in all spheres of the business. In the next five years, the Corporation will work on improving the employees' experience. This is in recognition that a high-performance culture is only achievable when employees are adequately trained and behaviourally transformed to meet the Corporation's expectations while simultaneously fulfilling their aspirations. In this regard, the Corporation's recruitment process is supported by desirable selection tools to avoid job and skills mismatch. Sufficient resources will continuously be invested towards staff training and development to transform the Corporation into a high-performance organization.

The approved establishment for the Financial Year 2021 was 2177 and the headcount was 1923 as of 31st March 2021, thus the overall recruitment into the structure stood at 88%. The Corporation supports and promotes employees' health and as such, it is committed to promoting health and wellness programmes that are geared towards the realization of such goals. The provision of primary health care and occupational services at the two Power stations clinics further aims to maintain a healthy workforce as the Corporation remains in a position to respond instantly to all injuries and associated risks.



COVID-19 Corporate Response

The Corporation response swiftly to COVID-19 pandemic by setting up a special COVID-19 Response Team, and invested in all required necessities to curb its growth. As such the strategy implemented was highly effective to curb the spread of the virus.



Chief Executive Officer's Review (Continued)



Collaboration and Strategic Partnerships

The Corporation has entered into a collaboration with two of the country's top universities being University of Botswana (UB) and Botswana International University of Science and Technology (BIUST) with the primary objective of orientating the said Universities' curriculum and research activities towards the needs of the energy industry.

In addition to the above collaborations, the Corporation partnered with the Construction Industry Trust Fund (CITF) and trained 7 employees based at the Power Stations in Coded Welding to build internal capacity and reduce the dependence on third-party service providers.



Development and Careers

Employee Learning and Development continues to be an integral part of the Botswana Power Corporation's organisational strategic agenda. During the reporting period, the Corporation enrolled employees in 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

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 lasting 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. A highlight of the year was designing and printing precautionary floor stickers displaying COVID-19 messages for selected primary schools in different regions of Botswana. The content on these stickers was meant to encourage social distancing and other health protocols.



Chief Executive Officer's Review (Continued)

THE OUTLOOK

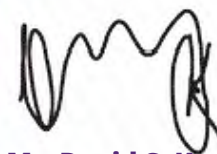
We are looking forward to providing sustainable and efficient generation and supply of electricity. With the advent of the new strategy, our vision is to be “a regional benchmark in electricity supply”. As part of the realisation of the strategy, BPC aims to be the yardstick of what it means to be an employer of choice, a self-sufficient utility that supplies competitive and reliable power from diversified energy sources including renewable energy sources with excess power to export. We are optimistic that the Corporation will play a critical role in the regional energy sector. We are aligned to the Government's Integrated Resource Plan and see the emergence of

independent power producers as an opportunity because of the leverage we have in terms of the vertical integration of our business. We look forward to running an efficient business poised on sustainable financial performance.

APPRECIATION

I would like to express gratitude to the outgoing BPC's Board of Directors for their support particularly in driving MASA 2020 and for achieving significant strides. Furthermore, I welcome the incoming Board and look forward to their strategic guidance and oversight to drive the Corporation to its desired strategic targets. Last but not least I would like to extend

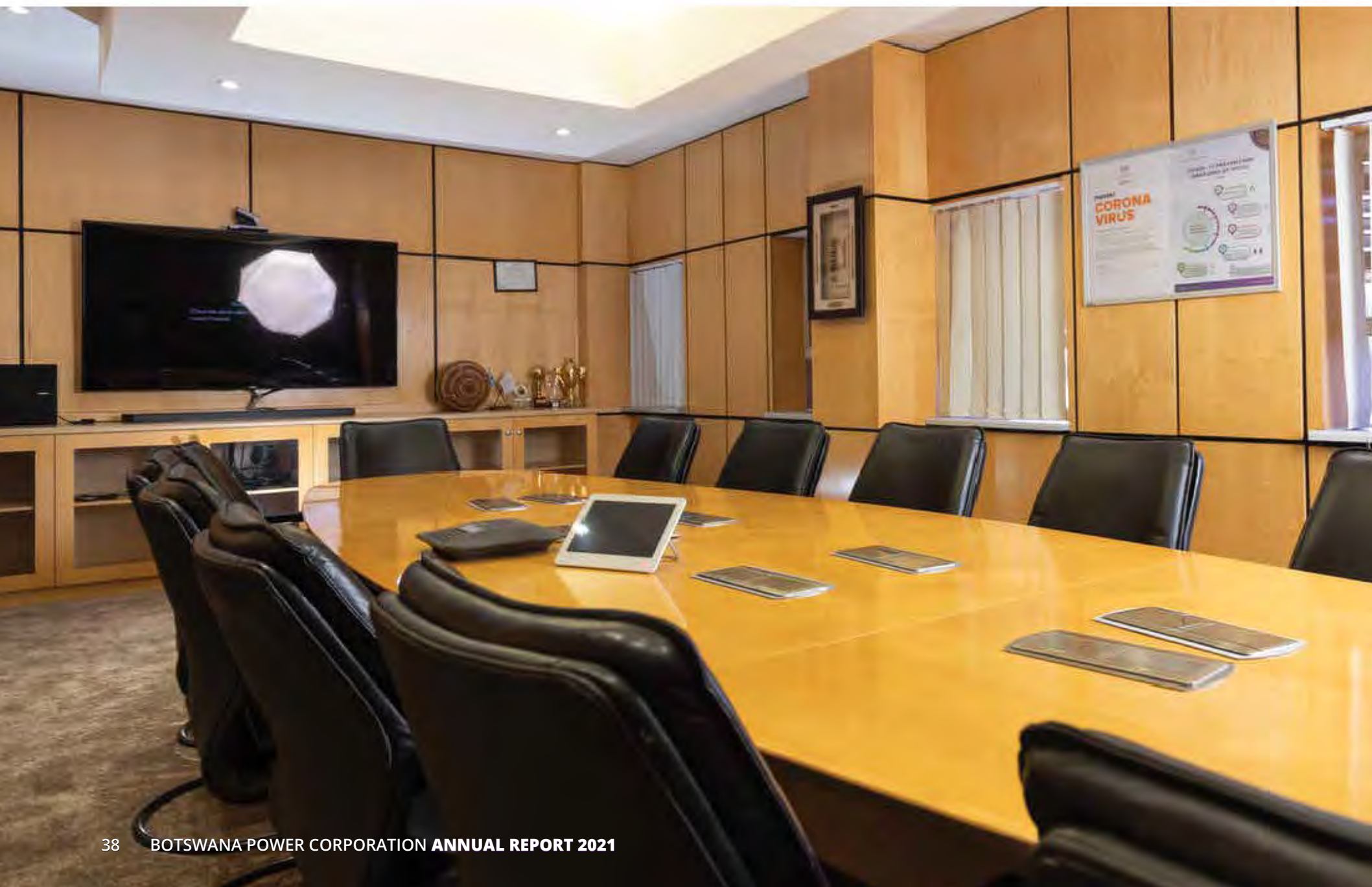
my thanks to the committed BPC Management team and all members of staff who ensured that notwithstanding the challenges brought about by COVID-19, the year under review was still a year to remember.



Mr. David S. Kgoboko
Chief Executive Officer



Executive Management Profiles



Mr. David S. Kgoboko Chief Executive Officer

Mr. David Kgoboko joined the Botswana Power Corporation (BPC) effective 1st February 2021 as Chief Executive Officer. He is a qualified Engineer with over 20 years experience in the Mining and Engineering Industry. Mr. Kgoboko brings to BPC a wealth of experience and accolades gained from the Mining industry.

He joins BPC from Morupule Coal Mine, where he rose through the ranks to the position of General Manager. He is a transformational leader and grew the mine footprint by securing markets for coal in Turkey, South-Africa, Zimbabwe, Zambia and Namibia. It was under Mr. Kgoboko's leadership that the Morupule Coal Mine (MCM) was recognised as the safest coal mine in the SADC region with a track record of 13 years of no fatal accidents. The Morupule Coal Mine has also received two awards from Botswana Chamber of Mines for being the safest mine in the country in the year 2014 alone, and in 2016 and 2017 rated the safest mine in Botswana.

As a people oriented leader, Mr. Kgoboko brings to Botswana Power Corporation extensive experience in Industrial Relations Management having successfully proposed the initiative of a multi-year substantive agreement to the Botswana Mining Workers Union which led to the signing of a three year agreement over (2) consecutive terms being 2014 to 2016 and 2017 to 2019. He led MCM to become the first organisation in Africa to be ISO55001 certified – an international Asset Management standard.

Besides just doing hardcore business, Mr. Kgoboko has developed and mentored young local Engineers who are currently making strides in the Mining industry. Botswana Power Corporation will also benefit from Mr. Kgoboko's Community Empowerment background where he has played his leadership role in provision of shelter and other basics to communities in need, a gesture that was recognised by the Office of the President of Botswana. As a millennial General Manager, Mr. Kgoboko undertook annual cycling challenge termed "General Manager Cycling Challenge" while at Morupule Coal Mine which attracted cycling clubs and participants across the country. Proceeds from this challenge were donated to communities.

Mr. Kgoboko holds a Bachelor of Science Degree in Mining Engineering from Queen's University in Canada and an Executive Management Development Program qualification acquired from the University of Stellenbosch, South Africa. Mr. Kgoboko has served as Chairman of The Botswana Chamber of Mines, as well as Chairman of the Board of Trustees for the MCM Mine Rehabilitation Trust Fund.



Executive Management Profiles

(Continued)

Mr. Oaitse Ramasedi Chief Financial Officer

Mr. Oaitse M Ramasedi is a seasoned finance professional. He joined Botswana Power Corporation as Chief Financial Officer in June 2020 and plays a key role in the financial restructuring and long-term sustainability of the Corporation (BPC). His professional experience spans academic institutions, civil service, rail transport and financial institutions. He was appointed CEO of National Development Bank (Botswana) in 2001, and successfully led the Bank for a period of 8 years. Under his leadership, he steered the Bank to viability and profitability, given the challenges of the business environment within which development financial institutions (DFIs) operate. He was again appointed CEO of a Regulatory Body for the Non-bank Financial Sector (NBFIRA) in 2009. Mr. Ramasedi graduated from the University of Botswana where he obtained his Master of Arts, and Bachelor of Commerce. On the professional qualifications side, Mr. Ramasedi 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). Over his professional life, Mr. Ramasedi has served in numerous Boards. Further, he is part of the CIMA's Membership Assessors.



Mr. 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 in electrical power system operation and maintenance, transmission and distribution infrastructure development, energy transaction agreements comprising operation and maintenance agreements, power purchase agreements, primary fuel supply agreements and cross-border electricity trade.



Mr. Letlhogonolo M. Bantsi General Manager Human Resources

Mr. Letlhogonolo Maemo Bantsi joined the Corporation on 01 August 2019. He has had 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 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 and from there he joined Botswana Railways as the Director-Human Capital in 2012 to 2019. 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). He is also a Fellow Member of International Academy of Management (UK).



Executive Management Profiles (Continued)

Mr. Emmanuel Bopadile General Manager Internal Audit

Mr. Emmanuel Bopadile joined the Corporation in late 2017 as head of the Internal Audit function. He has been in the Audit profession since 1994, having cut his teeth in the practice in the Office of Auditor General as a Performance Auditor. In 1997, he moved to RIPC Group as an Internal Auditor where he served the Group Office and its five (5) subsidiaries. In 1998, he joined the Botswana Housing Corporation (BHC) Treasury Department as an Accountant. Mr Bopadile traced back his steps to Internal Audit in 1999 when he joined Botswana Telecommunications Corporation Limited (BTCL) as an Internal Auditor. He was later promoted to Senior Internal Auditor role in 2007. At the commencement of Unigem Pty Ltd in 2010, he joined the entity as its Head of Internal Audit. In 2012 he joined the Mining Industry at BCL Limited as a Senior Internal Auditor. Mr. Bopadile holds Bachelor of Commerce from University of Botswana and several post graduate certifications in forensic auditing and performance auditing.



Mr. Bojosi Gaothuse General Manager Transmission and Distribution (Acting)

Mr. Bojosi Gaothuse is a seasoned engineering professional and is currently the substantive Network Maintenance Manager and Acting General Manager Transmission and Distribution. He 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.



Ms. Dineo Seleke Marketing And Communication Manager

Ms. Dineo Seleke, joined Botswana Power Corporation in 2016. She has a role 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. Before 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 SPEDU Regional Development Agency, an economic diversification unit that was set by the Government to coordinate the development other sectors of the economy besides mining in order to sustain the SPEDU Region.



Executive Management Profiles

(Continued)

Ms. Annah Moncho SHER Manager

Ms. Annah Moncho holds a Bachelor of Arts in Public Administration and Environmental Sciences from University of Botswana and has also holds a post graduate qualification in Enterprise Risk Management from Botswana Accountancy College.

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



Mr. Letshego Moeng Strategy And 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. Letshego previously worked for PEEPA, LEA, Deloitte and 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. 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.



Mrs. Kusigani Mbambo General Corporate Counsel

Kusigani Mbambo ("Kusigani") 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.





03

PERFORMANCE REVIEW

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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.



The Generation Department has four main sections which are:

- Morupule A
- Morupule B
- Solar Projects
- Emergency Plants(Orapa and Matshelegabedi)

MORUPULE A POWER STATION

Morupule A Power Station has been in full commercial operation for the year under review following successful completion of the refurbishment project and contributed 17% of the total national demand. Power generation for the year is at 687 GWh, resulting in a plant energy availability of 67% against a target of 75%. The shortfall has been attributed to Engineering Procurement and Construction (EPC) defects that include Flue-Gas Desulfurization (FGD) plant bag filters and associated auxiliaries. Root cause analysis and corrective actions for the failures are in progress.

The plant has a fully functional Flue gas desulphurization(FGD) plant that ensures emission levels such as Sulphur dioxide (SO₂), Nitrous Oxides (NO_x) and Dust are within compliance levels. Average SO₂ emissions for the year is at 2695.39 mg/ Nm³ against the standard of ≤3200mg/Nm³, and Nitrous

Generation Department (Continued)

Oxides (NOx) levels with an average of 530mg/ Nm3 against the standard of 750mg/Nm3.

The Orapa and Matshelegabedi emergency plants remained on standby and available during peak and to augment local generation capacity as and when required. Energy delivered from both plants amounted to 94 GWh which is 2% of the national demand during the year.

MORUPULE B POWER STATION

In order to improve plant reliability and availability, Morupule B power station is undergoing a four year remedial works programme. The remedial works commenced in June 2019 and were originally planned for completion in January 2023 to cover all four units. This program was impacted by the COVID-19 pandemic causing significant delays. Upon evaluation of the impact on the timelines for the first unit, which was originally planned for completion in September 2020, the completion date was revised to November 2021. Measures are being put in place to expedite remedial works on the remaining three units to ameliorate the delays occasioned by the COVID-19 Global pandemic.

The reliability of the units will continue to be affected by construction and equipment defects until the remedial works are completed.

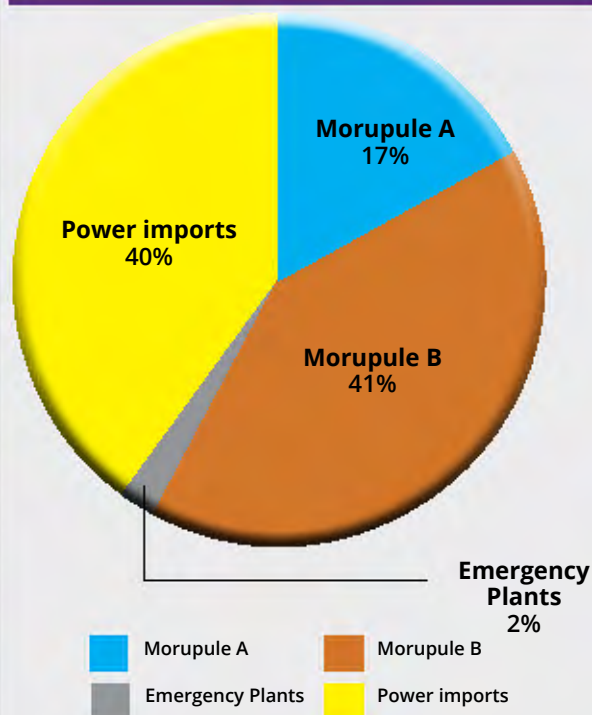
The plant will be operating at a reduced capacity of 450MW (Gross) during the remedial works period. During the 2021 financial year the total net generation for the year was at 1,699 GWh against a forecast of 1,702 GWh as per station capability plan with an Energy Availability Factor(EAF) of 31.17% against a Target EAF of 32.5 %. During the year MBPS contributed 41% of the total electricity supply.



Generation Department

(Continued)

Energy Source Market Share



Morupule B Power Station Remedial Works Schedule

Financial Year	Unit 4 (First)	Unit 2 (Second)	Unit 1/3 (Third)	Unit 1/3 (Fourth)	Dependable Capacity
2021/22	150MW				150MW
2022/23		150MW			300MW
2023/24			150MW		450MW
2024/25				150MW	600MW

12 Grid Tied Solar Photo Voltic Projects Progress Update

During this financial year, BPC managed to complete the Power Purchase Agreement (PPA) negotiations with the successful bidder for the development of a 1MW Solar plant at Shakawe and 3MW Solar Plant at Bobonong. The Botswana Energy Regulatory Authority (BERA) has reviewed and approved the PPA for signing by both parties.

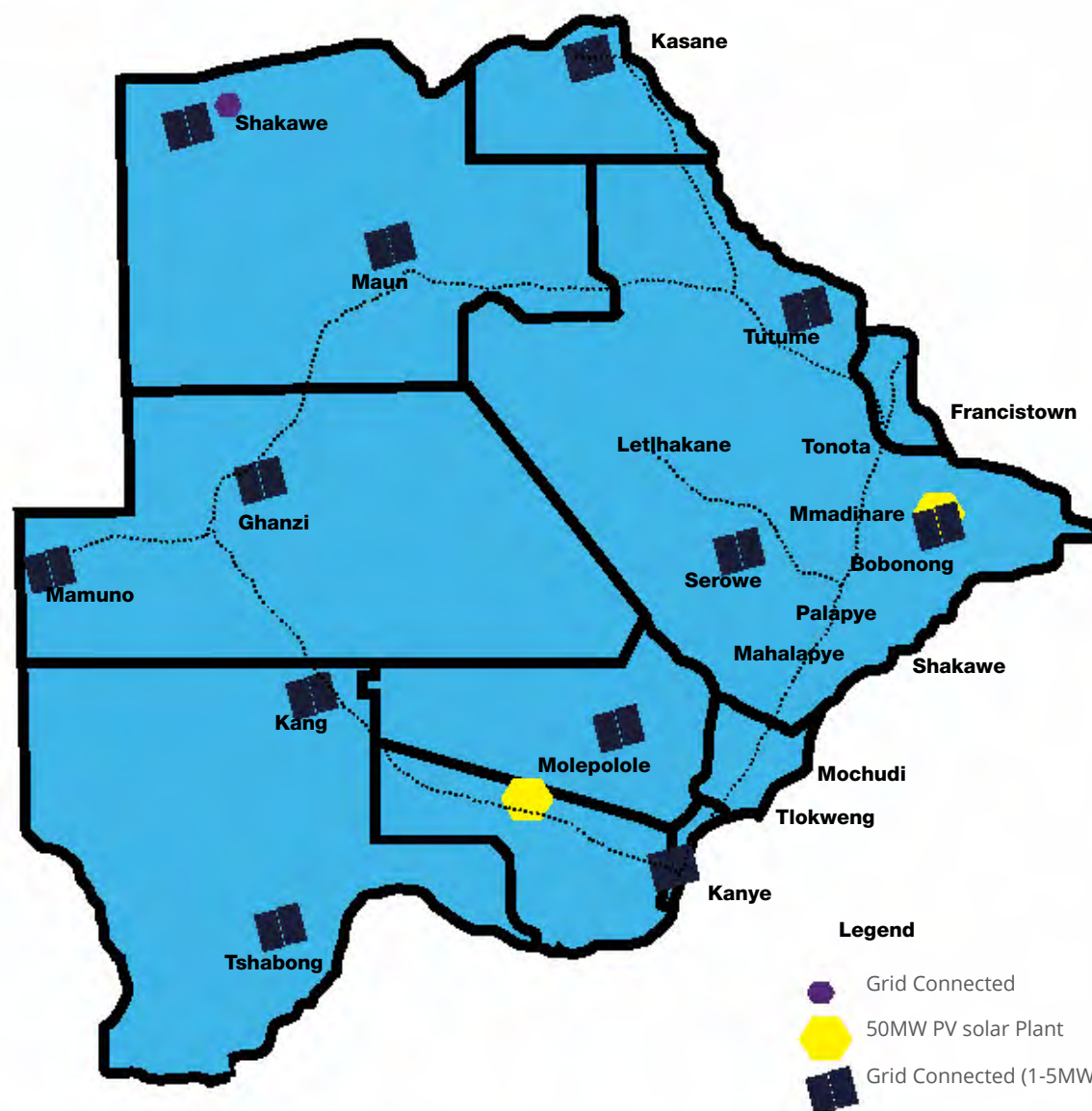
BPC and the bidder are currently working on an executable version of the PPA was planned to be signed by the end of April 2021. The anticipated commercial operation date is expected to be six months from signing of the PPA.

To continue with its ambition of increasing renewable energy in the country, BPC has given IPPs another opportunity to retender for

the remaining 10 locations as there were no successful bidders. The tender closed on the 21st August 2020 and BPC is currently adjudicating these tenders.

Generation Department (Continued)

135MW of Solar Photovoltaic (PV) Projects Under Implementation



2 X 50 Mw Solar Photovoltaic Project Progress Update

The Request For Proposal was issued to prequalified bidders during February 2020 and the tender closed in December 2020. The selection and award of the tender is expected to be concluded in April 2021. The design, procurement, construction, and commissioning of the plants is estimated to take less than twelve months after financial close.

ROOFTOP SOLAR PROJECT

In its endeavour to continue implementation of renewable energy projects, BPC in conjunction with its parent Ministry has embarked on a Rooftop programme. This programme was launched in November 2020 and is capped at 10MW for the first year. The intention is to allow BPC customers generate their own power particularly at domestic level and small business. This is the first net metering project that is trying to include the whole community in transitioning to green energy.

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 long term bilateral contracts with its neighbouring countries to meet the country's power demand. There are some villages along the border that are not connected to BPC's transmission grid which are supplied through cross border connections from neighbouring countries.

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 up an annual maintenance plan for its assets and endeavors to achieve at least 70% completion rate. During the financial year 2021 the section achieved 60% completion of planned maintenance.

Transmission & Distribution Department (Continued)

The performance below target was due to COVID-19 lockdowns. During the months of April and May 2020, all planned maintenance was canceled due to national lockdown and movement restriction. The other contributor to not achieving the target of 70% was due to inclement weather conditions which lead to maintenance work being cancelled.

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 Powerline maintenance
- v. Protection 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. The objectives of the section are to reduce system faults and power interruptions, with the following targets:

- i. Reduction in distribution high voltage faults from an average of 236 per month to 198 per month.
- ii. Reduction of distribution low voltage faults from an average of 4,287 per month to 3,192 per month.

The section oversees the rehabilitation of the distribution network projects which are undertaken by citizen-owned contractors and consultants pre-qualified by BPC under its distribution contractors programme. In addition to network refurbishment, the Corporation has put in place a maintenance backlog catch-up plan which is expected to significantly improve the network reliability by the end of March 2023. Other areas of focus include improvement of access to service channels through optimization and automation of business processes and

reorientation of the workforce to ensure a customer-centric culture.

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 the successful delivery of the projects as summarized below:

i. North West Transmission Grid Connection Project (NWTGC)

NWTGC Phase 1 was scheduled to be completed in March 2020 but experienced delays due to remedial works on the 400kV towers and the COVID-19 pandemic which resulted with the extension of the completion to December 2020. Eight of the Nine packages were successfully commissioned and handed over in December 2020. The 220kV Legotlhwane to Ghanzi Line is targeted to be completed in March 2022.

Transmission & Distribution Department

(Continued)

Overall project progress as at April 2021 was 96%, against a baseline target of 100%. The actual expenditure for Phase 1 as at March 2021 was BWP2.162 million against the budget of BWP 2,355 million which is 92% of the budget.

ii. Distribution Network Development

The Distribution Network Refurbishment programme which commenced with Phase 1 in 2019 progressed into Phase 2 during the year under review. A number of projects under this phase consisted of new installations and upgrades of substations, cables and overhead lines. The programme aims at addressing various system requirements such as network reinforcement and load growth to enhance the reliability and security of the power supply. A budget of P 193 million has been allocated for Phase 2. Insignificant progress of 32% was realized due to COVID-19 pandemic. Phase 3 also got underway with progress attained mainly on the Engineering Services such as the project designs.

iii. Rural Electrification Programme

The electrification of 116 villages which got underway in October 2018, attained overall progress 98% as at March 2021. Of the 116 villages, 44 were new villages which were not

covered by the current network while 72 were network extension projects in villages already electrified. The programme also experienced delays due to poor availability of material which was compounded by the COVID-19 pandemic. The remaining projects are delayed due to wayleaves and material supply issues.

Technical Services

The mandate of Technical Services section is to ensure safe, optimal utilization and availability of Transmission and Distribution Network Infrastructure through cost effective maintenance of the Supervisory Control and Data Acquisition system (SCADA), Geographic Information System (GIS), Metering and Telecommunications systems. The section is also responsible safe monitoring, control and operation of the transmission grid, as well as procuring 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 distribution faults timeously. The new SCADA system is expected to be commissioned by November 2021.



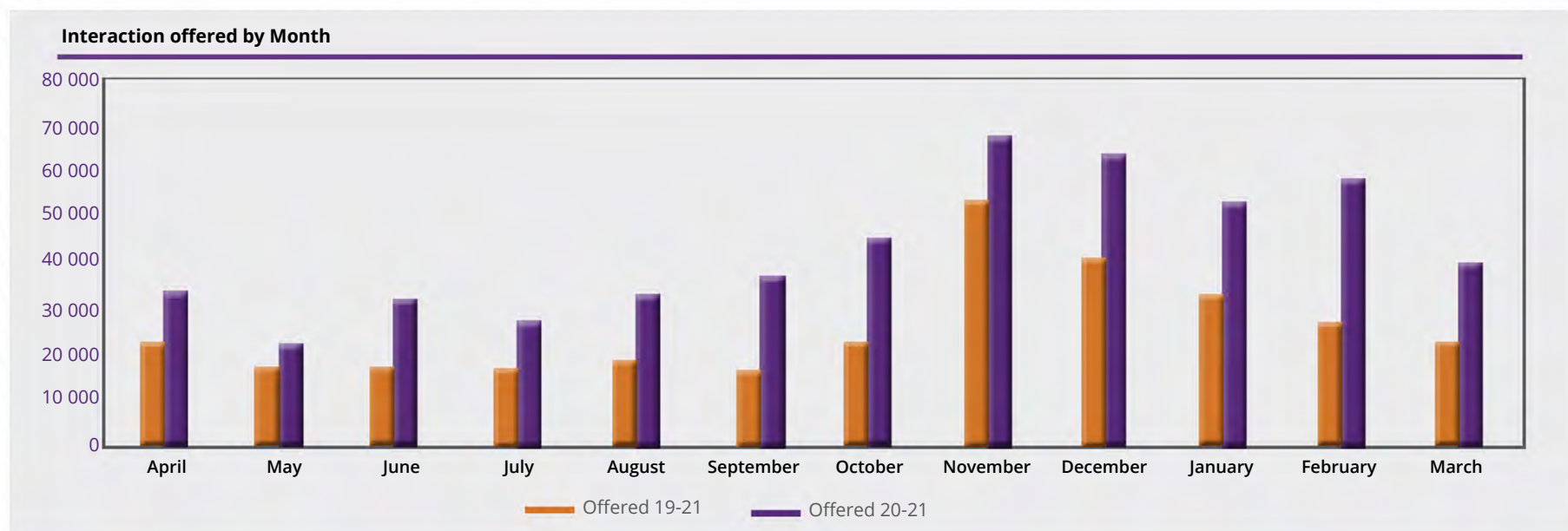
Call Centre

Call Centre manages and directs BPC Contact Centre operations. It encompasses receiving and resolving customer queries. The Call Centre noted an 64% increase in calls received in the financial year 2021 compared to 2020. This increase was due to various reasons, the first being the introduction of a toll-free service to customers across all networks and the introduction of the USSD self-service channel, the increase in customer enquiries and complaints due to increase in the Prepaid tariff, the increase in customer reports on faults to do the storms that caused damage to BPC equipment resulting in power outages in the months of October 2020 to January 2021.



Transmission & Distribution Department

(Continued)



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

Initiative	Description	Due Date
Integrated Contact Centre/ CRM System	To provide a more interactive platform where customers are serviced across multiple and integrated digital channels.	September 2021
Field Service Management System	To provide seamless feedback to customers on progress of reports and services requested from BPC for best customer experience.	March 2022
Revamp of the Contact Centre Premises	Provide a conducive environment for Contact Centre staff.	June 2021
Customer Service Charter	Commit our service delivery turnaround times to our customers	May 2021

Finance Department

The Finance Department provides prudent financial management services as well as a sound financial control environment. The Department is made up of the following sections:

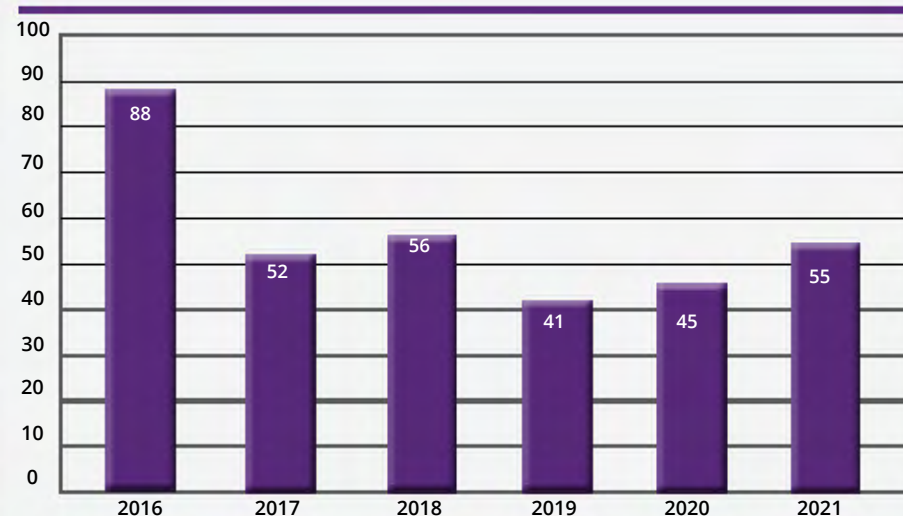
- Revenue Management and Credit Control
- Financial Accounting and Treasury
- Financial Planning and Control
- Accounts Payables and Taxes
- Projects
- Information and Communication Technology Services
- Supply Chain Management
- Service Delivery
- Security Operations
- Knowledge Management



Revenue Management and Credit Control

This section optimises revenue collection, and 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 Corporations strategy aims to improve liquidity, to fund the increase in assets and meet financial obligations as the 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 minimized by obtaining enough collateral, continuously monitoring the debtors and effecting disconnections in cases where the credit risk is assessed to be high on defaulting customers. Through the identified initiatives the target is to reduce the debtor days from 38 to 35 days in 2022.

Debtor Days



Finance Department (Continued)

Financial Accounting and Treasury

This section deals with the Corporation's financial reporting in accordance with the International Financial Reporting Standards (IFRS). It is also responsible for the production of the 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 Botswana Power Corporation is the inability to access alternative sources of funding. To mitigate this risk, the Masa Strategy recognised acquiring a credit rating as a possible way of making the Corporation attractive to corporate lenders.

During the year, the Corporation got a long term rating of Baa3 through Moody's Investors Service. The rating is reviewed annually. In addition to improving prospects of sourcing alternative funding, this development is expected to enhance the Corporation's long-term power purchase agreements with independent power producers.

Financial Planning and Control

This section 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. 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, hence reducing the risk of fraud.

Projects

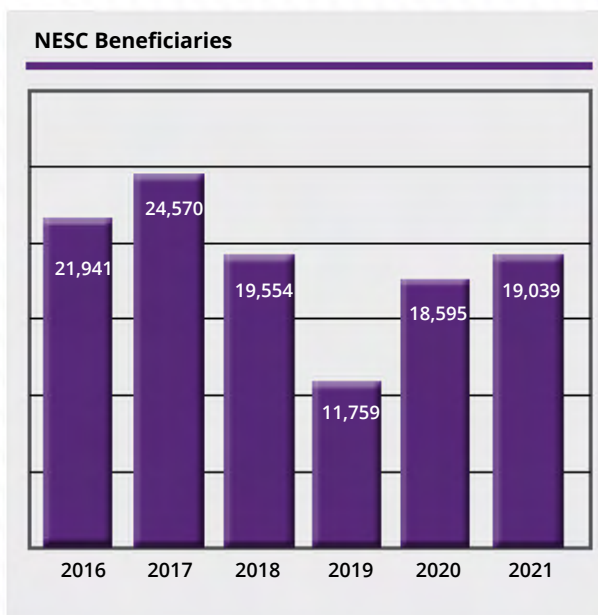
The Corporation is engaged in several flagship Generation and Transmission capital projects funded by the Government. The Projects team negotiates with contractors, manages the financing aspect and reporting to all stakeholders. This section also provides financial advisory and support services to all 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

Finance Department

(Continued)

customer and the actual cost incurred by the Corporation in connecting the customers. This Fund was established from P0.05 (5 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 ICT services to optimise the Corporation's performance. It procures and supports corporation-wide systems across all other Departments. The section is currently undertaking the following projects in 2020.

- 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 the next financial year.
- 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 sections is planning to implement 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's fleet. An Enterprise Asset Management system

is planned to integrate to Finance, Controlling and Supply Chain Management SAP Modules for a complete management of an asset's life cycle.

Supply Chain Management

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

From the year 2022 the following plans are in place to improve materials availability within the corporation

- Contracts Management- ensure that the corporation has contracts with key suppliers for customer connections. The objective is to have a flow of materials to allow all customers to have access to electricity.
- System automation – to automate the whole end to end supply chain processes and make sure that the processes talk to each other. The plan is to reduce manual activities which results in human errors and focus on utilising the system.
- Cycle Counts-Introduction of monthly cycle counts to reduce warehouse variances and increase materials forecast accuracies.

Finance Department (Continued)

- Alignment to Government policy initiatives and key plans as may be pronounced from time-to-time, such as the Reservation and Price Preference for Citizen owned companies as well as for locally produced goods and services.

Service Delivery

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

The 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:

- Initiated the development of a strategy on the Corporation's property. The strategy will assist the Corporation to optimize the use of its assets/facilities. The strategy has been completed and submitted to Board for approval in the coming year.
- Construction and completion of 17 guard houses across the country in the Sub Stations and Depots.
- Implementation of a two-year Facilities Call Out maintenance-South; the contract is meant to improve on the Section efficiency to respond to our customer needs.

- Construction of the National Control Centre, Distribution Control and the Call Centre offices to be completed by end of April 2021. This is expected to improve monitoring of the network and customer access respectively.

The section is planning to do the following:

Open new satellite service centers across the country to improve access to services through the provision of revenue and network maintenance services.

- Implement call out maintenance contracts that will cover the Central and North region.
- Identifying sites across the country and fencing them to store absolute materials awaiting disposal.

During this Financial year the department committed resources to combat the spread and impact of COVID-19, the Department had to act promptly and swiftly to install wash basins, hand sanitizer stations and fumigation of offices.

Security Operations

Security Operations role is to improve the security posture of the Corporation through identifying vulnerabilities and developing counter measures against these to avert losses through protecting

Finance Department

(Continued)

assets. Its mandate includes driving compliance through investigations of breaches against policies, control of movement of people, goods and machinery within the Corporation premises, surveillance management, people security, security risk management, as well as building a security culture by sensitizing staff on security protocols.

The Security Operations section comprises of two units namely.

- i. Intelligence and Investigations
- ii. Operations Function

i. Intelligence and Investigations

The Intelligence and Investigation's mandate is minimize security risks exposure to theft, fraud and vandalism. The section also investigates malpractices and acts as a liaison with law enforcement agencies for support in curbing crimes committed against BPC assets.

ii. Operations Function

This section is mandated to oversee physical security, employee security, premises security, Incident investigations, and risk management and thus minimize asset loss and vandalism through the application of varied security measures ranging from security manned guarding, access control, protective barriers, locks, close circuit television and many others.

Achievements

- Increased sensitization campaigns to staff and Contractors to raise awareness of on security protocols.
- The Corporation continues to place partnerships at its core. For the review period there were several collaborative engagements with local Law Enforcement Agencies to develop strategies to mitigate theft and vandalism that continues to affect BPC network infrastructure.
- Investigations undertaken to curb non compliances.

The challenge

- BPC continues to experience revenue leakage through malicious means of theft and/or vandalism on the Corporation's assets.
- COVID-19 pandemic and related protocols negatively affected plans for a wide outreach to the community.

Commitments

- The Corporation continues with its commitment to optimize asset protection by implementing effective security systems, with infrastructure installed in some areas and the accomplishment of these will make a significant stride.

- To achieve creating a positive security culture in the Corporation, through collaborating with key partners.

Knowledge Management

The Knowledge Management (KM) section is tasked with the efficient management and use of knowledge and information as a value adding resource to innovate new products and services for improved organizational performance. The function provides a comprehensive information management service which covers document management, records management, library and information resource and knowledge management.

In line with one of Corporate strategic objective, which is to improve on customer experience, the section established an integrated approach and framework to the management of BPC's Information and knowledge resources. The Records Management programme is one framework that has been developed to guide the implementation of records and information management initiatives in the Corporation. This programme aims at ensuring easy access and retrieval of information and knowledge hence improved service delivery and customer satisfaction.

Finance Department (Continued)

Key Performance Highlights

Policies on managing records and information.

Policies on the management of records and information are critical to the management of records as organisational assets, as part of the overall records management programme. The section has developed a Records Management programme to guide the implementation of records and information initiatives in the Corporation. Among the programme components are records policies. Without policies, it is not easy for an organisation to implement a records management programme and get management support. The Records Management Policy, Document Control Policy and Information Governance Policy have been developed to provide direction for the management of documents, records, and information. The draft policies will be approved in the next financial year (2021-2022).

Records Retention and Disposal

Records Retention and Disposal Schedule (RRDS) has also been developed for all the functions. The RRDS will also be used in future once approved by Botswana National Archives and Records Services (BNARS) to guide the corporation as to how long certain records are to be kept. It will save time and money for the Corporation by

reducing the cost of storing records that are no longer needed.

Classification of Records

Knowledge Management has classified records by function, covering all business units, in collaboration with the same business units. Managers and Heads of Departments have approved the Draft Business Classification System (BCS). Engagements with Botswana National Archives and Records Services to approve the BCS, a regulator for public records, are ongoing and the approval is expected within the first quarter of 2021-2022. The implementation of the BCS will see records being increasingly managed in electronic format as this will provide a structure for electronic folders in which official records will be placed. In addition, security classification of records was assigned to control access to records so that only those who have the right of access by virtue of their roles will have access to records.

Identification of Vital Records

The Section has also developed a register for identified Vital Records in the entire Corporation. Vital records are those records that are necessary for the Corporation's ability to continue its business either in terms of its ability to cope with emergency/disaster conditions or to protect its

financial and legal interests. The identification and protection of such records is of great importance to the Corporation.

Records Management Legislative Compliance Register

To ensure compliance to legal requirements in records and information management, a survey of applicable legislation was undertaken. 21 pieces of legislation were identified and found to prescribe certain records to be generated and kept by the Corporation. Among others, such laws prescribe specific records to kept for human resources management, health, and safety management, public procurement and asset disposal, and public finance management.

Knowledge Management Risk Register

The Knowledge Management Section developed a Risk Register which has been approved. It promotes risk management in areas such as records storage, uncontrolled disposal of records, lack of business continuity for vital records and information, and disintegrated information technology systems that do not communicate with each other.

Finance Department

(Continued)

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.

Decongestion of Records Storage Project

The section undertook a project to clean up records and transfer them to offsite storage. Data Cloud, 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 quantities of growing corporate information and records through transfer to a suitable storage facility in Gaborone. Currently the outsourced company has covered Gaborone, Mochudi, Kanye, Molepolole, Lobatse and Francistown Customer Service Centers. With effect from March 2021, the project started covering the North and Central areas of BPC.

In addition to the above the KM team were simultaneously engaged in the decongestion exercise which was more focused on offices and storage offices with lesser quantities of records. The records that were decongested by KM team include policy, accounts, projects, and supply chain documents. The section has decongested 54 offices/storage areas have been decongested across BPC and the exercise will continue in the next financial year.





Marketing and Communication 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 Corporations stories are being told to all audiences through various mediums



During the year under review the Marketing and Communication Department focus prioritized its activities to Public Safety Education, COVID-19 Awareness Communication, Energy Efficiency, Theft and Vandalism as well as Corporate Social Responsibility initiatives.

Public Safety Education

Public Safety communication was meant to sensitize the public on the dangers that they may be exposed to when handling electricity at their various places. The targeted audience on this campaign were employees, school going children, households, and business communities. Quite a number of media platforms targeting both internal and external customers were used.

COVID-19 Awareness Communication

In order to formulate a structured and effective response plan to the Coronavirus, the Corporation's Management appointed a COVID-19 Response Committee which is mandate to develop and monitor implementation of the response plan. Marketing and Communication Department's main role in this committee is to continuously develop communications to sensitize staff and increase awareness.

Theft and Vandalism Campaign

The Corporation undertook this campaign as an effort to reduce the acts of theft and vandalism experienced by educating the public about the dangers of theft and vandalism, by encouraging the public to report such acts and also availing reporting structures through various media platforms. Electrical theft and

Marketing and Communication Department

(Continued)

vandalism have proven to not only result in loss of revenue but also to that of life and power outages countrywide. Most of the equipment vandalized are transformers, conductors, cables, and transmission pylons.

Energy Efficiency Campaign

Through this campaign, the Corporation intended to inform and educate its consumers about ways they can use to save money in their homes and save energy for the country. Energy supply is an issue worldwide and it is imperative for countries to educate its public on efficient use hence the Marketing and Communications Department brought about this initiative. Various media platforms were used targeting both internal and external customers.

CORPORATE SOCIAL RESPONSIBILITY

Botswana Power Corporation's CSR Policy demonstrates our commitment to sustain good relationships with communities in which we operate in. With the current COVID-19 pandemic the CSR initiatives undertaken had to adhere to the COVID-19 protocols, while focusing on the social wellbeing of our communities, education and instilling the spirit of voluntarism in employees.

Some of the CSR activities in the year under review are;

COVID-19 Floor Stickers

BPC embarked on designing, printing of COVID-19 precautionary floor stickers for selected primary schools in different regions of Botswana. Targeting the lower primary school classes. Content on these stickers is meant to encourage the social distancing and other health protocols.

BPC builds a garden for Moroka Primary

Through charitable giving, we are able to create a special world of kindness for children with special needs. BPC employees in Masunga decided to give back to community of Moroka by buying construction materials which they used to build a garden to be used by special needs students at Moroka Primary School.

Donation of ICTS equipment to Magotlhwane Primary School

We are in an era of information and technology; therefore, it is vital to introduce the use of computers to students at Primary level. Information and technology make the learning process interesting as well as successful. Therefore, it is vital for educational institutions to have suitable infrastructures for studying and teaching the fundamentals of computer science. Botswana Power Corporation bought 2 computer sets for Magotlhwane Primary School in Ramotswa.



Marketing and Communication Department

(Continued)

Community Service Days

Carrying forward from the previous year, BPC had a community service days in line with being a “valued citizen”. Lobatse service center in collaboration with Maru-A-Pula class of 1999, donated toiletry parcels, sanitary pads, toothpaste and antiperspirant deodorants to Mariba CJSS and Molopo River CJSS.

In the previous financial year Hereford Primary School received graduation gowns. When the COVID-19 pandemic hit the world, the Werda service center went back to Hereford Primary and donated COVID-19 masks, as an initiative to try prevent the spread of COVID-19 within the school.



CONTACT BPC ANONYMOUSLY TO REPORT CORRUPTION



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Web: www.tip-offs.com.**

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 intentionally designed to guarantee the structural independence of the department.

The continued objective assurance rendered by the department is protected by this dual reporting. It is the eyes of the Board on the shop floor providing assurance that governance, enterprise risk management, and control frameworks are adequate and effective to support 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 of IT Audits and Field Teams Sections

The IT Audit Sections 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.
- Providing Analytics Services to Internal Audit Teams.

The Field Teams Section mandate encompass;

- 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. This methodology recognizes the dynamic nature of the Corporation's risk profile and responded accordingly during the financial



Internal Audit Department

(Continued)

year. This 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.

There is a sustained utilization of the whistleblower reporting facilities. The Corporation has seen a growing awareness of good ethical behaviours demonstrated by the use of both the whistleblowing reporting line ,reporting outside the chain of command and Directorate on Economic Crime and Corruption. The Corporation will continue to engage with its stakeholders to promote the whistleblowing.

A total of 10 allegations were received by the Corporation through its whistleblowing reporting channels in the year 2021. All the allegations were investigated and closed, only one is ongoing.

The Annual Audit Plan for the coming year 2022 has significant changes in the audit methodology, encompassing the transition to continuous auditing process. This transition is important as the Corporation is digitizing its operations. The methodology is timely and relevant to address the challenges brought by large amounts of data in the Corporation. It will enable the department to increase the depth and breath of assurance coverage due to enhanced frequent assurance

visibility at a control and process level.

There has been a significant improvement in the closing of Audit Issues from a rate of 14.30% of total audit issues to 66% in the periods 2020 to 2021 respectively. The target has been raised to 80% of total Audit Issues in the 2022. The total Audit Issues at end of the year stood at 386 including 256 closed Audit Issues, and 112 Issues In-Progress.



Strategy and Transformation Department



**Be energy smart,
Switch **OFF** all appliances
that are not in use.**

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.

STRATEGIC AND TRANSFORMATION DEPARTMENT SECTORS

Lean Six Sigma; drives continuous business improvement across all business operations and builds organisational capacity on Lean Six Sigma tools and techniques.

Change Management; ensures change is delivered seamlessly (using PROSCI methodology) and our people are appropriately resourced to manage change.

Strategy and Transformation Department (Continued)

HIGHLIGHTS OF THE YEAR

Corporate Strategy

The 5-year MASA 2020 Strategy came to an end on the 31st of March 2021. The Masa strategy review identified areas for improvement. The areas for improvement include amongst others late delivery of capital projects which adversely impacted on the financial performance and operational excellence; unavailability of Morupule B Power Plant; suboptimal customer management processes; inadequate digitalization and asset management. The Masa Strategy achievements include successful refurbishment Morupule A, completion of the North West Transmission Grid Connection project (except the line from Legotlhwane to Ghanzi), and introduction of renewables into the energy mix to name a few.

The new Corporate Strategy will address the identified areas for improvement and will focus on asset care and management; superior customer experience and returns; prioritise project management; ensure Morupule B Power Plant runs optimally; ensure no one is harmed by our operations and put our people first (employees, customers and communities we serve).

Change Management

The changes office partnered with departments in managing change instigated by the COVID-19 pandemic, ICT, Fleet Management and Knowledge Management projects.

Culture Change Programme

The Corporation embarked on a culture transformation to improve organisational effectiveness and the desired culture is of a high-performance organisation.

The objectives of the programme are to;

- Create a harmonious working environment conducive to higher levels of performance, accountability, positive staff morale, cooperative team spirit, engagement, productivity and good personal relations.
- Build trust relations through team dynamics.
- Enhance the wellness and welfare of employees.

The programme is led by the Change Management section in partnership with Human Resources Department and was launched in October 2020. It is rolled out in a phased approach and started off at the Generation Department. The first project will be completed and implemented in the following financial year. The learnings will be applied in remaining departments as per the roll out plan.

Business Improvement

The Lean Six Sigma section notably continued to optimise the processes for availing material for customer connections in order to reduce the turnaround times for connections and improve customer experience.

It also built capacity across departments aimed at strategic alignment for delivering using Lean Six Sigma techniques and tools. These were premised on strategy deployment, actionable plans and improved execution and performance monitoring and reporting.

The focus for the 2022 financial year.

1. Deployment of the new Strategy across the Corporation for effective execution.
2. Driving continuous improvement across departments with emphasis on improving customer experience.
3. Corporate wide capacity building in change management.
4. Rolling out the Culture Change Programme to the rest of the departments.

Human Resources 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 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.



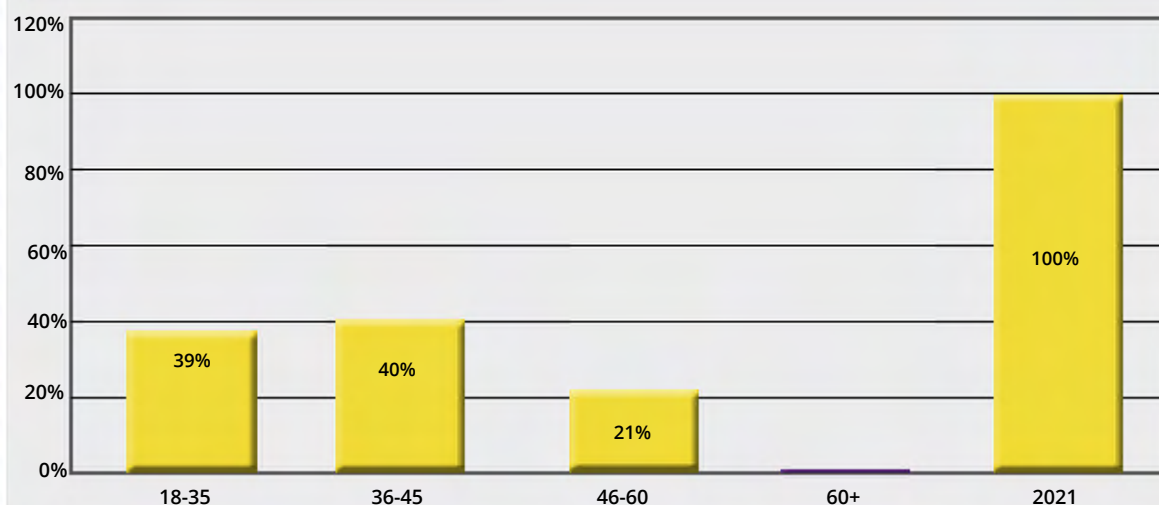
Human Resources Department (Continued)

- **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 employee health program where chronic ill health management 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

As the MASA-2020 Transformation Strategy drew to a close in the 2021 Financial Year, the Corporation continued to recruit and retain competent employees. The age profile of the Corporation employees is as indicated below:

Table 1: Age Profile of BPC Employees as at 31 March 2021



The approved establishment for the Financial Year 2020/21 was 2177 and the head count was 1923 as at 31st March 2021, thus the overall recruitment into the structure stood at 88%. The vacancy status stood at two hundred and sixty-three (254) - 12%, as at 31st March 2021 compared to the same period in 2020 where it was three hundred and ten (310) - 14%. This shows an improvement of 2% from the last financial year. The recruitment was largely delayed by the challenges brought by COVID-19 pandemic. However, there were 58 new employees recruited during the 2021 Financial Year, 30 of whom were from the technical cadres.

The turnover rate for the period under review stood at 1.35% across the board, where the Corporation separated with 26 employees for various reasons.

Human Resources

Department (Continued)

Employee Health and Wellness

The Corporation supports and promotes employee health and as such it is committed to promoting health and wellness programmes that are geared towards the realization of such goals. The provision of primary health care and occupational services at the two Power stations clinics further aims to maintain a healthy workforce as the Corporation remains in a position to respond instantly to all injuries and associated risks. The purpose of providing wellness services to staff is to improve their health status and improve their morale which in turn leads to enhanced productivity thereby improving the Corporation's performance.

The Corporation Wellness section provides a range of staff morale improvement programs including but not limited to the following: curative, psychosocial, spiritual, physical and economic services. With advent of the COVID-19 pandemic, the Corporation has seen a significant number of employees requiring psychosocial support. The Wellness Section has seen a increased number of employees who require counselling due to being kept at home for longer periods on quarantine and/or isolation.

HIV/AIDS Interventions

The Corporation continues to provide male condoms to employees sourced from Central Medical Stores through Botswana Business Coalition on Aids (BBCA) at no cost to the Corporation. A total of 105 000 condoms was issued Corporate in a bid to mitigate HIV and STI amongst employees and the community.



Personal Finance Training

A total of 75 employees were identified and selected for personal finance training and coaching. These employees have had a net pay threshold which is less than 40% for over a period of three months, hence this targeted training with the objective of upskilling them on personal finance. By the time of reporting a total of 28 of them were trained with the training focusing on budgeting; savings and debt management.

Medical surveillance and Pre and Post Employment Medical examinations.

Periodic medical surveillance remains a cornerstone of health risk identification and management in the Corporation. The objective being to carry out early detection of deviations and abnormalities so as to mitigate them before they become costly to manage.

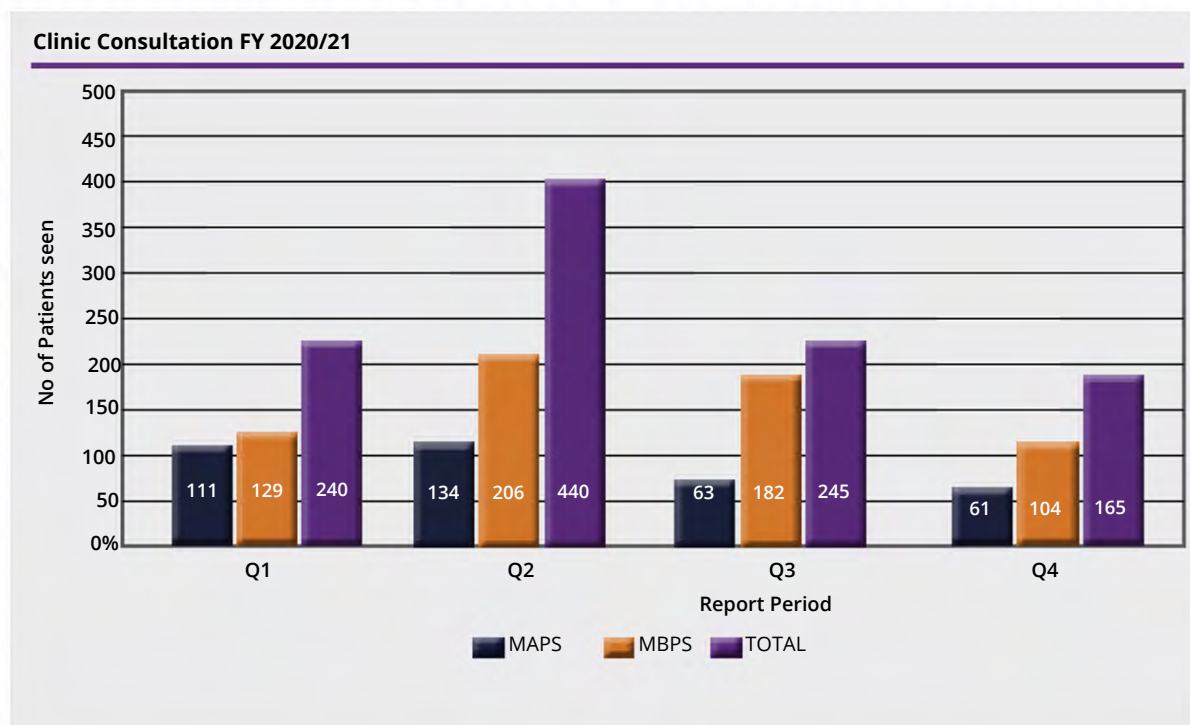
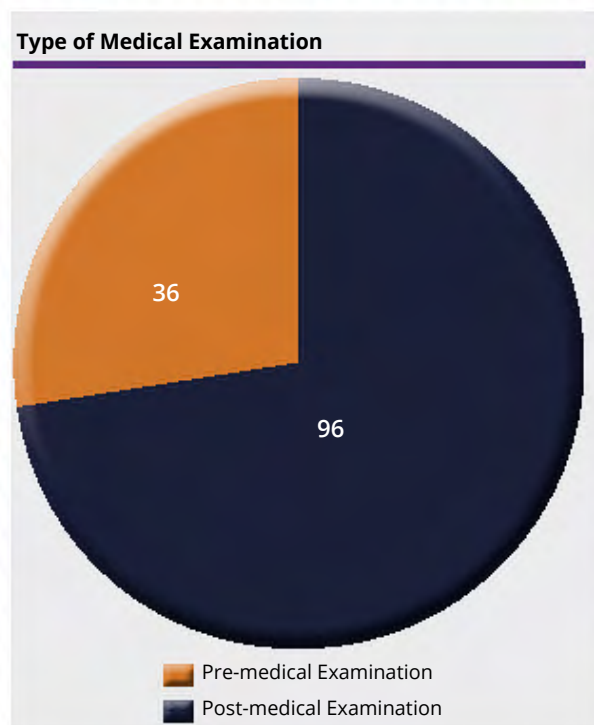
The year under review saw the medical surveillance exercise being done at Morupule and corporate wide as per the table below:

Region No of completed medical exams

Morupule	339
BPC South	54

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

Human Resources Department (Continued)



Clinic Operations

The provision of primary health care and occupational health services at the Morupule clinic is paramount to the energy generation operations as the clinic serves to minimise disruptions to business continuity. It provides instant medical attention on a 24 hour basis. The reporting period has seen the clinic recording 1332 consultations with 112 referrals for specialised care and management.

Morupule Clinics Consultation statistics COVID-19 Corporate Response

During the reporting period the world was hit by the novel coronavirus of which the Corporation had to instantly respond with appropriate interventions beginning March 2020. There were daily and weekly sensitisation of staff on prevention of COVID-19 including provision of medical PPE (sanitisers, masks, gloves, infrared thermometers.) Further, the Corporation recruited temporary employees being a medical Doctor, 2 paramedics and 2 temporary nurses to augment operations at the Morupule Clinics.

Human Resources Department

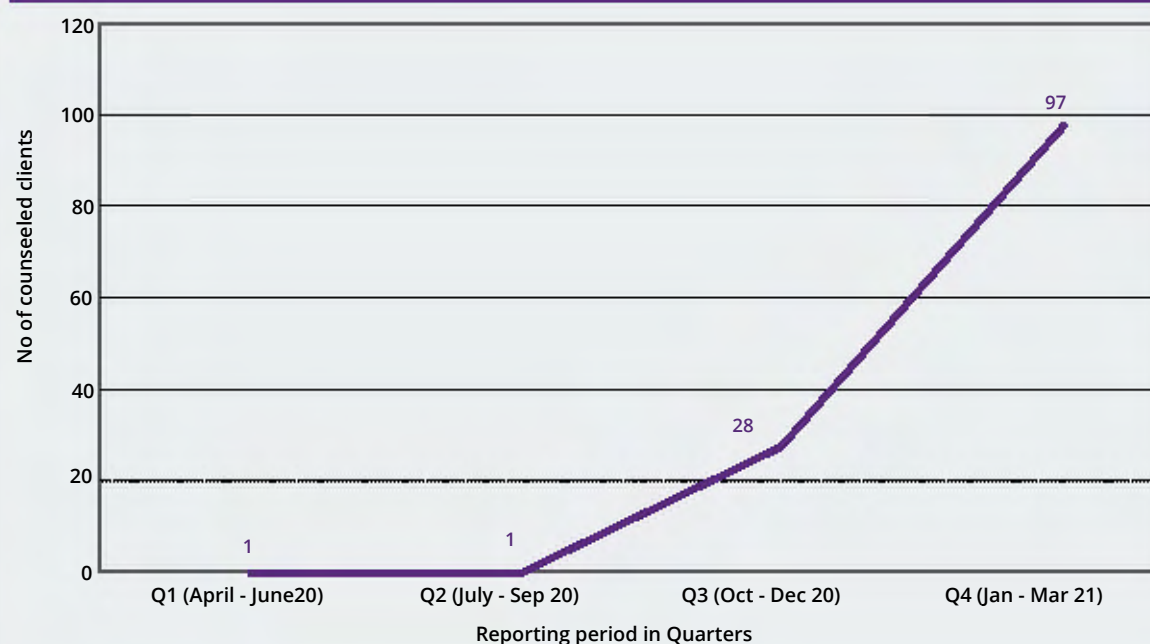
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COVID-19 Update

- i. The Corporation remains resolute in the fight against the spread of COVID-19, as evidenced by the smooth flow at the screening points of entry and availability of sanitizers for employees and customers to use.
- ii. As at the end of 2021, the Corporation recorded a total 229 cumulative cases of COVID-19 with one resulting in death, indicating a 99.5% recovery rate. The Corporation continues to share messages through the various platforms on infection prevention and control with staff to enhance prevention and mitigation of the spread of the virus.
- iii. Psychosocial support was provided to all the different teams within the Corporation, in efforts to mitigate the negative impact brought about by the COVID-19 infections. This has been done to improve levels of understanding of COVID-19 protocols by employees as well as minimizing the impact of COVID-19 on the Corporation.

COVID-19 Counselling Services

COVID-19 Counselling during the year (April 20 to March 21)

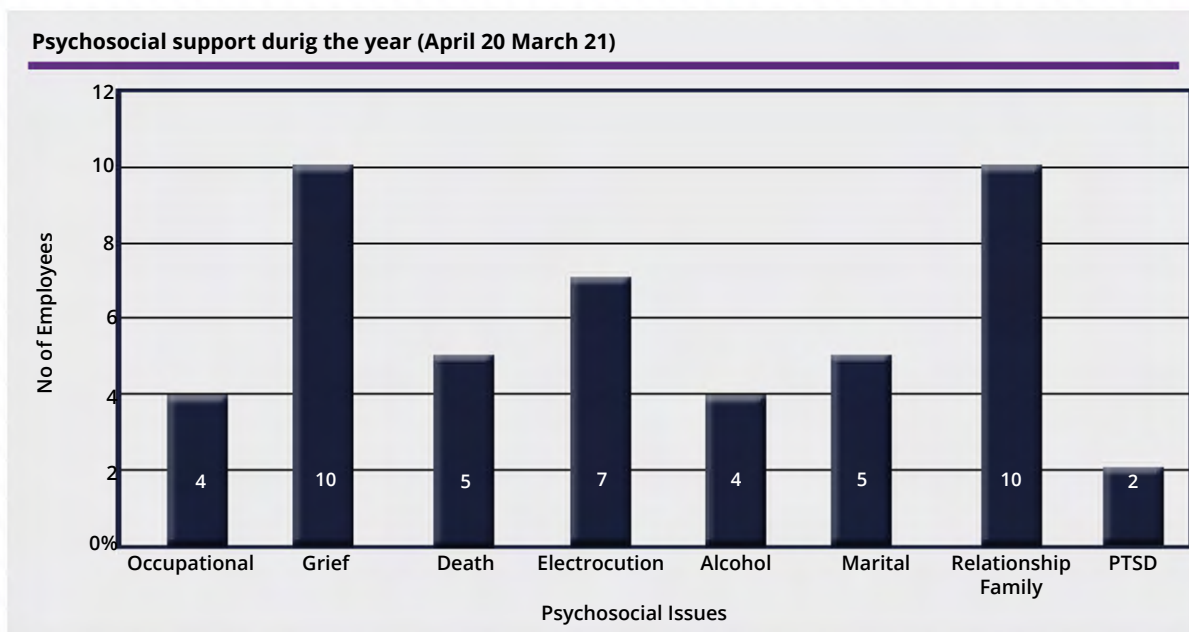


Psychosocial support services

The Corporation continues to provide psychosocial support to staff internally through the Wellness team as well as by outsourcing. There was been an increase in the number of staff who were seeking Employee Assistance Program (counselling) due to sensitisation by Wellness staff for employees to access this service. Issues ranged from stress due to family matters, finances, Injury on duty, relationship issues, burnout, poor health status and post traumatic disorders. A total of 47 employees were given counselling during the reporting period.

Human Resources Department (Continued)

The table below shows the psychosocial problems encountered by employees during the period FY April 2020 to March 2021.



Collaboration and Strategic Partnerships

The Corporation has entered into strategic collaborations with the University of Botswana (UB), and Informal Collaboration with Botswana International University of Science and Technology (BIUST) 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 Botswana Power Corporation is critical for knowledge and skills enhancement, innovation, and technology transfer.

The Memorandum of Understanding between BPC and the University of Botswana entails among other elements, the following:

- Resource Sharing
- Continuous Professional Development
- Academic Entrepreneurship and Consultancy Services
- Human Resource Development and Industrial Attachment
- Innovation and Technology Transfer

In addition to the above collaborations the corporation partnered with the Construction Industry Fund (CITF) and trained seven employees based at the Generation Plants in Coded Welding as an effort to reduce dependency on outsourced companies.

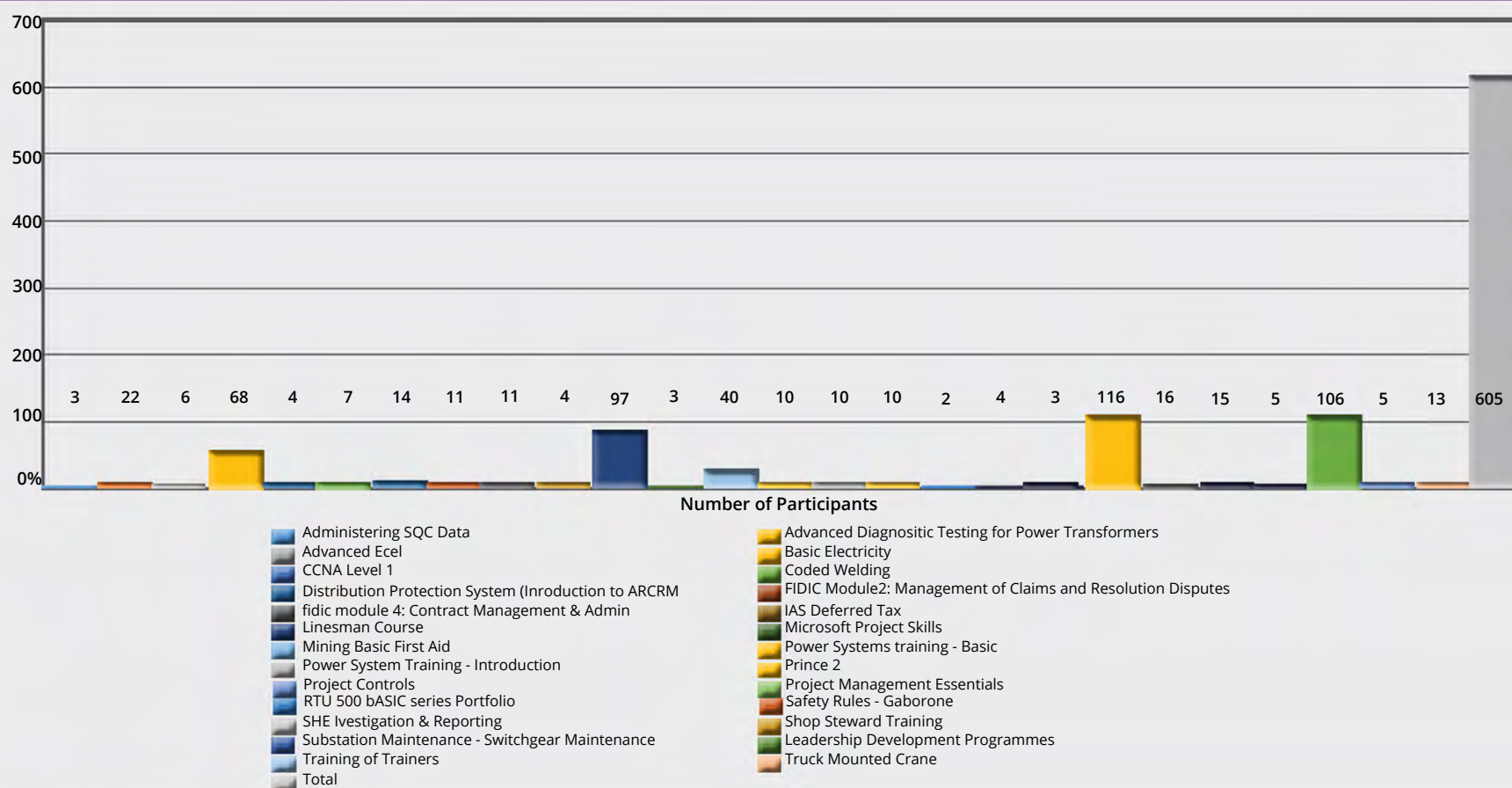
Human Resources Development and Careers Capacity Building

Employee Learning and Development continues to be an integral part of the Botswana Power Corporation's organisational strategic agenda. During the reporting period the Corporation enrolled employees on short term competency development programmes to enhance service delivery in an endeavour to realise high performance culture. The table below shows implemented short term training interventions during the reporting period with a total of 605 employees trained on different courses.

Human Resources

Department (Continued)

Short Term Training Interventions



Human Resources Department (Continued)

Graduate Trainees

In an to develop the future human capital, 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 report, 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 2 have been appointed to substantive positions.

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. To date, there are 148 interns working throughout the Corporation.

Leadership Development Programmes

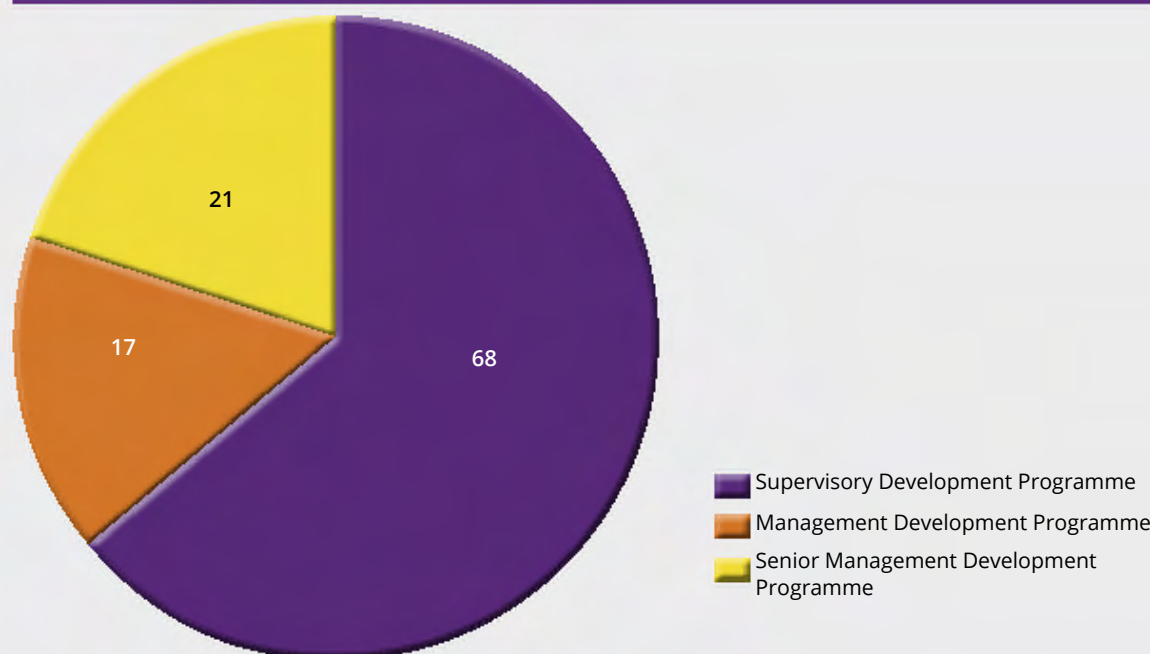
To strengthen leadership and governance capacity, the Corporation is training employees

in the following Leadership Programme:

- Supervisory Development Programme (SDP) targeting employees at Supervisory Level mainly with the Botswana Institute of Development Management (IDM) and the University of Botswana
- Management Development Programme (MDP) targeting Middle Management Level with the Stellenbosch University
- Senior Management Programme (SMDP) targeting Senior Managers Stellenbosch University

The table below shows the Leadership Development Programmes implementation rate;

Leadership Development Programmes



Human Resources Department (Continued)

Succession Planning

The success of the Corporation is reliant on the availability of skilled and competent employees especially for strategic business roles. To ensure that the Corporation or department continues to operate effectively when individuals occupying critical positions depart or are absent one hundred and 149 mission critical roles within the Corporation have been identified of which 336 potential successors have also been identified within the succession plan period.

Industrial Relations

• Management and Union Relations

The employee relations climate in Botswana Power Corporation remains harmonious. The Corporation has entered into a Collective Labour Agreement with Botswana Power Corporation Worker Union (BPCWU). The Union has a majority representation in the workplace, with a membership of over one third of the Corporation's eligible employees as required by provisions of the law. Joint Consultative Committee Meetings were convened to discuss issues of mutual Interest which included the following:

- Morupule Culture Change Project
- Management further provided training to 20 Union Officials as part of Union Capacity building.
- Consultation and Joint Problem Solving with the Union continues through the use of established consultation forums.

• Employee Engagement

The Corporation continue to ensure that employees are engaged across all levels to promote employee participation and information sharing. Apart from the Joint Consultation with the BPCWU, meetings are held at both sectional and departmental level.

Human Resources 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.



Safety, Health, Environment and Risk 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.

In line with the just ended Masa 2020 transformation strategy, Zero Harm being the key element of thematic area of "making BPC aims to continuously improve" which we need to embrace and actualize, to continuously improve our process to deliver services at no harm to life and the environment.

Our SHER policies and the BPC SHE management standards continue to remain the guiding documents for the achievement of the Corporation's SHER strategy and performance targets. The Corporation's stance on SHER issues is simply that any harm is unacceptable and believe that workplace injuries, illnesses and harm to the environment are preventable.

Achievement of improved safety performance was leveraged as a result of management commitment to the implementation of safety programmes and improved reporting of leading indicators (near miss, unsafe acts and conditions).

ROLE OF SHER DEPARTMENT

- The SHER Department plays an integral role in the Botswana Power Corporation's corporate governance, specifically on the best practice ideologies that demand an evaluation of governance structures to ascertain their level of preparedness or readiness to manage any probable risks outside and within the corporation.
- BPC 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 is complying with all applicable conditions



Safety, Health, Environment and Risk Department (Continued)

relating to environmental compliance, as well as the health and safety of its workers and the general public.

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

The objectives of the SHER department are as follows:

To ensure safety of BPC employees and customers in its operations and installations, as well as minimizing impact on the environment;

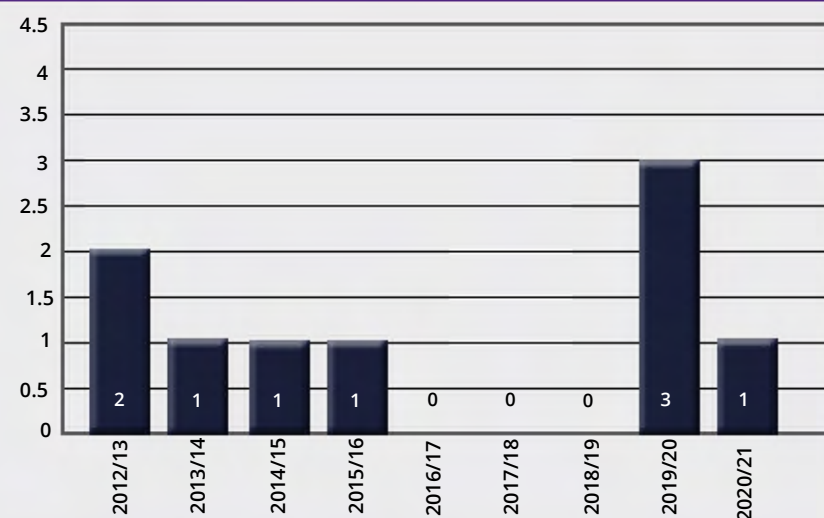
- To reduce SHER related incidents to Zero
- To improve safety culture
- To improve risk aware culture
- To enhance environmental protection initiatives
- To promote environmental conservation activities
- To improve stakeholder engagement

Fatality trends - 2021

Botswana Power Corporation (BPC) has not recorded any fatality during the quarter under review in comparison to the previous year (2020), where 3 fatal accidents were recorded.

In respect of public liability, there was 1 uncontrollable member of the public, incident where an elderly person lost his life following an electrocution in Borotsi village. The investigation about the said incident has been concluded. Implementation of the mitigation plans after the occurrence of the said fatality were implemented during the past year.

Fatalities trends (2012-2021)



Safety, Health, Environment and Risk Department

(Continued)

LOST TIME INJURY FREQUENCY RATE (LTIFR)

For the reporting period Lost Time Injury Frequency Rate (LTIFR) was at 0.55 against a target of 0.45. The injuries mainly involved BPC employees and contractors' employees, compared to the previous financial year wherein most incidents affected contractors' employees.

LTIFR is calculated in the following way:

- Adding the number of LTIs injuries,
- Multiplying the total with 200 000 and
- Dividing the product (answer) by the total number of man hours worked.
- The following formula is used:

LTIFR = $\frac{\text{Number of LTI} \times 200\,000}{\text{Total number of man hours worked per year}}$

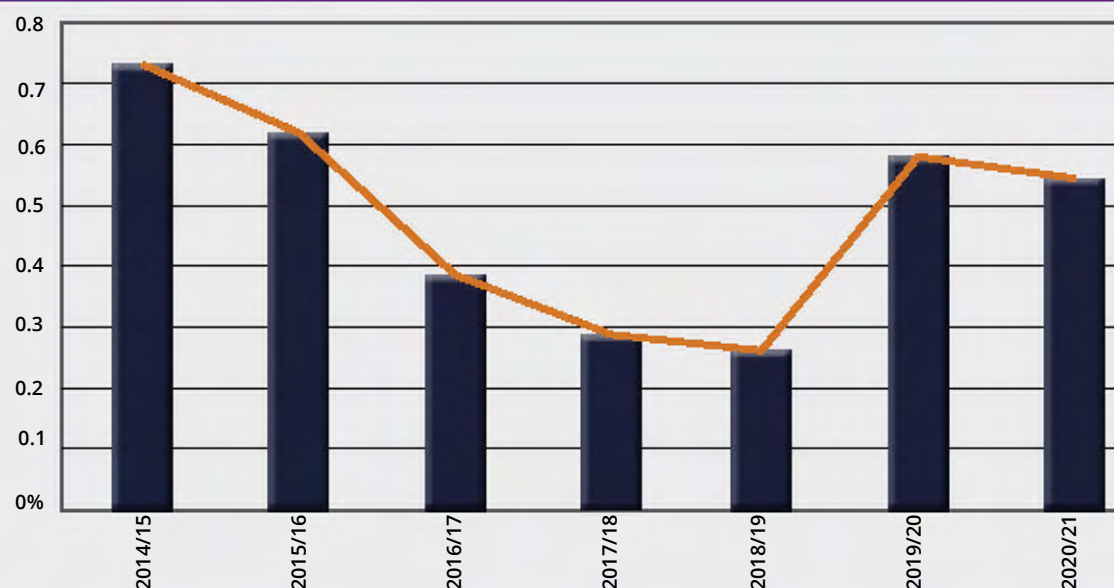
Total number of man hours worked per year

Why 200 000?

The following reasons apply:

- 100 workers work approximately 200 000 manhours per year.
- LTIFR is therefore an indication of a ratio of employees injured per year.
- Being internationally used to calculate LTIFR the formula provides for international comparison

Lost Time Injury Frequency rate 2020/21



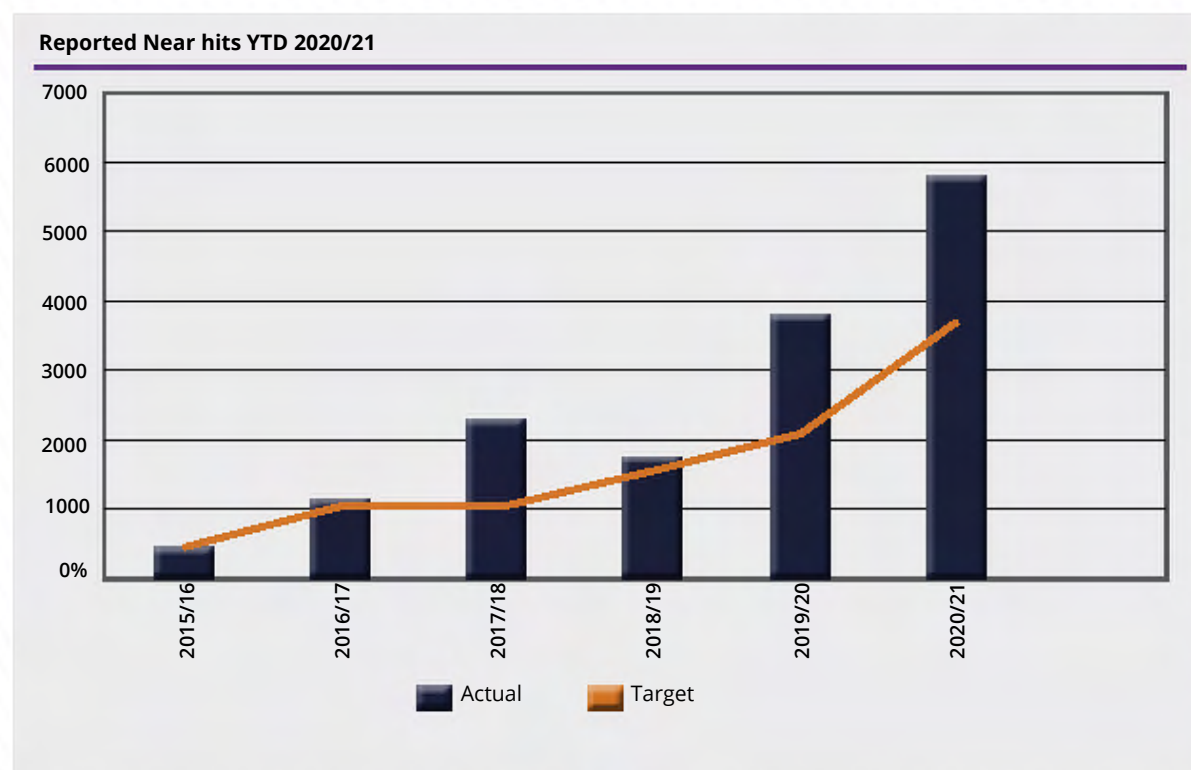
. The root cause analysis indicated that most incidents were as a result of the following:

- Non - compliance to BPC safety rules and unauthorized switching (electrical isolation) by employees; and
- Improper use of various hand tools like grinders, spanners and chain saws; and trapped by, or pinched and hit by, objects. The injuries affected mostly the hands and fingers.

Safety, Health, Environment and Risk Department (Continued)

Reporting of near - hits year to date

Reporting of leading indicators (Near-Hits) has improved over time. However, the need to make significant strides is key to help improve performance. The Corporation is targeting an upscaled target of 2 Near-Hits per person per month.



Major activities undertaken during the reporting period

For this reporting period, financial year 2021, the SHER Department engaged in some significant activities aimed at improving Safety, Health, Environment and Risk Management Standards.

- Integrated SHE Management System Project- In line with industry best practice 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).

Botswana Power Corporation (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.

Safety, Health, Environment and Risk Department

(Continued)

- Visible Felt Leadership audits were initiated and undertaken to enable the 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 - The 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 in to 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 frequent SHER inspections on site and awareness sessions 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.

Environmental Management Initiatives

- BPC through the support of the SHER Department has managed to partake in the national project 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.
- Environmental Management Plan (EMP): Implementation and Monitoring of all approved EMP's at Power stations, Ramotswa Sub-Station, NWTGC construction.
- Review of Morupule Power Stations Environmental Management Plans to incorporate appropriate disposal of mineral wool.
- 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.

- 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.
- Occupational Hygiene Programme Implementation - Surveys were undertaken at various BPC facilities and work fronts to proactively identify and mitigate against occupational related diseases.
- Ambient air quality monitoring is being done for Morupule A and B. The monitoring station was commissioned and calibrated in Dec 2019.
- Due to the COVID-19 pandemic, BPC like the rest of the international community did not organize any activity to encourage individuals, communities and businesses to turn off non-essential lights for an hour, as a symbol of their commitment to saving the planet. However, T-Shirts with branded messages on the earth hour were given to employees to raise awareness. However, no records were kept to ascertain any savings realized on electricity usage at a national level.



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.

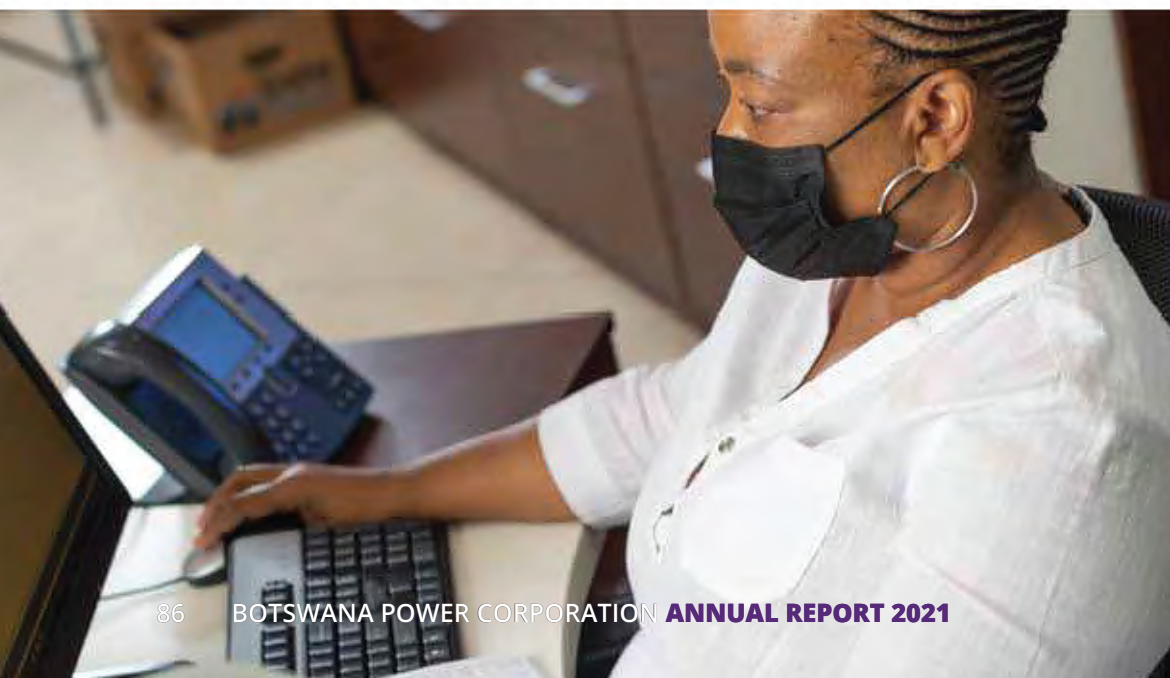
The Department provides secretarial support to the BPC Board, Board Committees and the Executive Committee. The Department supports the Corporation by ensuring that the interests of the Corporation are protected in all agreements and contracts with other parties.

The 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 will be completed within the financial year.

The Department plans to add more value to the Corporation in the coming year by procuring the services of an independent service provider to conduct an organisational wide regulatory compliance audit. The said audit, will be focused on legislation that is related to the Corporation's line of business as well as to strengthen and facilitate the continuous improvement of a BPC wide compliance management system. The Department intends to acquire a Contract Management Systems to enhance its contract drafting and tracking process.





04

SUSTAINABILITY

90 - 99 Sustainability Report



Sustainability Report

Over the past years Botswana Power Corporation (BPC) has integrated sustainability into its strategy and decision-making. Given the fact that the energy sector is long-term in nature and that many decisions have long term implications, it is vital the BPC takes robust and responsible decisions that will echo positively for the generations to come.

As a strategic asset of government, BPC aligns with the Botswana Government Vision 2036 roadmap which outlines the Government's approach to address the United Nations Sustainable Development Goals (SDGs). Furthermore, Botswana's Intergrated Resource plan for energy is wholly based on sustainability, reflecting how sustainability has become fundamental to the Corporation's existence.

To show 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

Botswana Power Corporation supports Sustainable Development Goals



**WE ARE COMMITTED TO
ZERO HARM**

Sustainability Report

(Continued)

SDG 3 – Good Health and Wellbeing

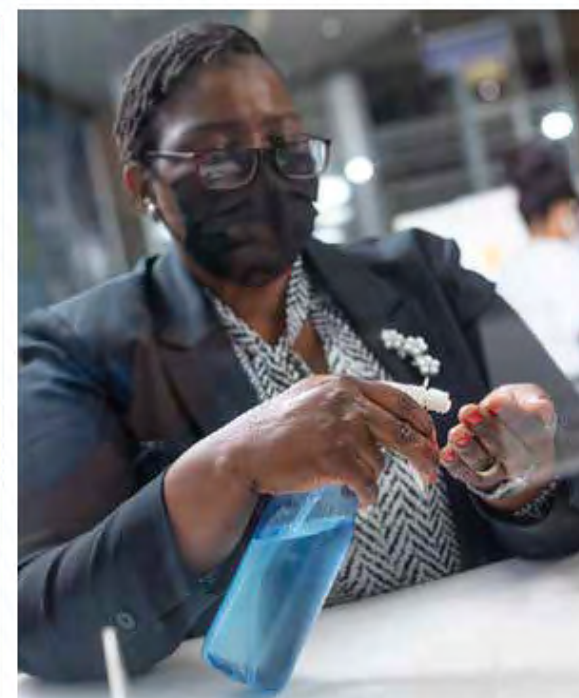
In line with the SDG Goal 3 realization efforts, BPC subscribes to the zero-harm value to promote high occupational health and safety as well as general employee wellness for our staff and contractors. The Corporation supports and promotes employee health and it is committed to the provision of health and wellness program services that are geared towards the realisation of positive lifestyle goals. With advent of the COVID-19 pandemic, the Corporation has seen a significant number of employees requiring psychosocial support, as there has been an increase in the number of employees requiring psychosocial support services due to being kept at home for longer periods either on quarantine or isolation. The Corporation has continued to avail this support to the infected either through testing or counselling.

The Corporation's Occupational Health and Wellness programmes are aimed at the management of both communicable and non-communicable diseases. These programmes are premised on and directed by the following policies:

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

A total of 47 sessions covering subjects ranging from burnout, self-actualisation, HIV and AIDS, and non-communicable diseases (NCDs) to healthy eating habits (positive lifestyles), and Gender Based Violence and were held during the year. The Corporation has two clinics, one at each of the two power stations in Morupule. The provision of primary health care and occupational health services at the Morupule clinic remains paramount to the energy generation operations as the clinic serves to minimise disruptions to business continuity by providing instant medical services response and attention on a 24-hour basis.

The reporting period has seen the clinic recording 1332 consultations with 112 referrals for specialised care and management.



Response to the COVID-19 Pandemic

The period under review experienced the advent of the global COVID-19 pandemic from which Botswana has not been spared. The Corporation remains resolute in the fight against the spread of COVID-19, and as at the end of 2021, the Corporation recorded a total 229 cumulative cases of COVID-19, resulting in one death, and with a 99.5%.

Sustainability Report

(Continued)

The Corporation provides sanitizers; hand wash basins and temperature screening for staff and customers as well as contact tracing and the use of Rapid Testing service at all localities as this is viewed as the cornerstone of the COVID-19 containment.

The Corporation continues to share messages through various platforms on infection prevention and control with staff to enhance prevention and containment of the spread of the virus. Furthermore, psychosocial support was provided to all the different teams within the Corporation, in efforts to mitigate the negative impact brought about by the COVID-19 infections. This has been done to improve levels

of understanding of COVID-19 protocols by employees as well as minimizing the impact of COVID-19 in the Corporation. Efforts to sustain the fight against the pandemic continue into the 2022 financial year.

Employee Assistance Programme

Employees presenting issues ranged from stress due to family matters, finances, Injury on duty, relationship issues, burnout, poor health status and post traumatic disorders are supported by internal Corporation resources wherever possible, with referrals made to private practitioners for further counselling where necessary. There has been an increase in the number of staff who were seeking

Employee Assistance Program (counselling) due to sensitization by Wellness staff for employees to access this service. Issues ranged from stress due to family matters, finances, Injury on duty, relationship issues, burnout, poor health status and post traumatic disorders.

A total of 47 employees were given counselling during the reporting period. Moreover, a total of 28 employees underwent personal finance training and coaching. By the time of reporting the 28 were trained focusing on budgeting, savings and debt management. A total of 105 000 condoms were issued corporate wide in a bid to mitigate HIV and STI amongst employees and the community.



Sustainability Report

(Continued)

Sick Leave Management

Absenteeism remains a key factor in employee health management as it has a significant bearing on the Corporation's productivity with recorded days of absences averaging 1000 days throughout the year.

FY 2020/21 Absenteesim Comparisons - Q1 to Q4

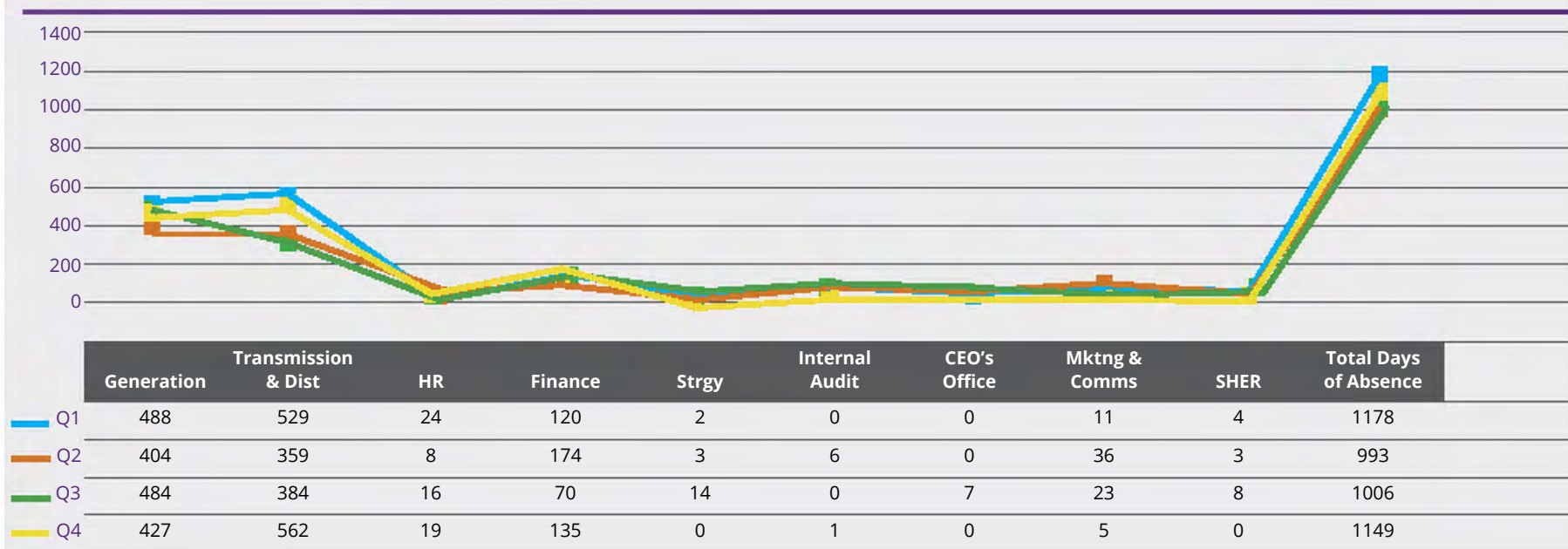


Figure 1: Sick Leave Rates by Departments for FY2020/21

Sustainability Report

(Continued)

Interventions

The Corporation provides medical insurance cover for all employees by giving them an option of three medical aid service providers to choose from, where the low income earners are given a 75% - 100% cover with the rest given a 50 % cover. This aims at speeding up response to ailments and access to specialised medical care. Over and above that, there is continued health promotion that looks at imparting knowledge to employees with health-related issues for them to adopt positive lifestyles.

Financial literacy

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, hence this targeted training with the objective of upskilling employees on personal finance. By the time of reporting a total of 28 employees were trained with the training focusing on budgeting; savings and debt management. This intervention is planned to continue into the next financial year.

Future initiatives

As part of its efforts to improve wellness interventions, BPC plans to upgrade the Palapye recreational club, and support internal sporting spectacles such as weekend soccer, volleyball and netball. A 50% gym discount for staff is anticipated during 2022. Furthermore, in keeping with future initiatives, the Corporation is looking at engaging a medical doctor at the power plant clinic in a bid to improve the quality of medical services as well as manage the rate of absenteeism at Generation.

SDG 4 QUALITY EDUCATION

Over the years, the Corporation has been 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.

Botswana Power Corporation builds a garden for Moroka Primary

Through charitable giving, BPC was able to create a special world of kindness for children with special needs. BPC employees in Masunga assisted Moroka by buying construction materials to be used to build a garden to be used by special needs students at Moroka Primary School.

Sustainability Report

(Continued)

Donation of ICTS equipment to Magotlhwane Primary school by Botswana Power Corporation

In an era of information and technology it is important for educational institutions to have the necessary technological infrastructure for studying and teaching, as such Botswana Power Corporation bought 2 computer sets to assist Magotlhwane Primary School in Ramotswa.



Community Service Days

Carrying forward from the previous year, BPC had a community service days in line with being a "valued citizen". Lobatse service center in collaboration with Maru -A-Pula class of 1999, donated toiletry parcels-sanitary pads, toothpaste and antiperspirant deodorants to Mariba CJSS and Molopo River CJSS. In addition, when the Covid-19 pandemic hit the world at large, Werda service center donated COVID-19 masks to Hereford Primary, as an initiative to assist in the prevention of the spread of COVID-19 within the school.



Botswana Power Corporation and University of Botswana Partnership

Botswana Power Corporation and University of Botswana mutually aim to encourage research in the energy sector. The collaboration and the strategic partnership between BPC and the University of Botswana entails among other elements, the following:

- Resource Sharing
- Continuous Professional Development
- Academic Entrepreneurship and Consultancy Services
- Human Resource Development and Industrial Attachment
- Innovation and Technology Transfer

Sustainability Report

(Continued)

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.

Total Head Count

Female	Male	Total
441	1475	1916

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 efforts to training and availing employment opportunities to female engineers.

Executive Management Headcount

Female	Male	Total
3	7	10

Almost 30% 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.

SDG 7 - AFFORDABLE AND CLEAN ENERGY

It is without doubt that this financial year has borne results through the achievement of critical milestones on major projects through BPC, Government supports communities by providing 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 Corporation commenced the electrification of 116 villages of which 44 were to be newly electrified villages while 72 villages were ear-marked for network extensions. At the end of the financial year rural electrification rate was at 98%. The Project was targeted for completion by end of May 2021.

- **National Electricity Standard Cost:**

This ongoing programme was introduced on 1 October 2010. It allows scheme participants to pay a standard charge of P5,000 for a connection. The Corporation claims the difference between this standard charge and the actual cost of the connection from the National Electricity Fund. In the 2021 financial year, there were 19,039 beneficiaries, up from 18,595 in the prior year.



Sustainability Report

(Continued)

• Solar PV Development:

The Corporation has initiated projects to consider generation of electricity through Solar Photovoltaic (PV) Technologies. Renewable Energy projects will not only increase the local supply of energy but will also reduce the carbon emissions in line with the Corporation's long-term renewable energy targets. 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, 2 out of 12 smaller scale Solar PV projects were awarded and are under going power purchase agreement negotiations. The 100 MW Solar plant will be awarded in the next year.

• Transmission and Distribution Projects:

The Corporation achieved progress on the North West Transmission Grid Connection project and this transmission grid will relieve the north western areas of country from reliance on cross border supply from Namibia while at the same time reliable electricity supply will be achieved. Overall project progress as at end of financial years was at 96%, with project completion projected for March 2022.

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 not only provides quality jobs to Botswana nationals, it also strongly supports local businesses and entrepreneurs. Its staff complement consists predominantly of local citizens. At end of the 2021 financial year, the Corporation employed 1,870 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.

The net effect of the economic downturn due to the pandemic was that several businesses experienced hardships to the extent that they were unable to meet their payment obligations

for the electricity they consumed (albeit reduced) and obligations on maximum demand charges. To alleviate the COVID-19 conundrum, the Corporation identified large users of electricity who are charged maximum demand charges and resolved to support this segment of distressed businesses by waiving the maximum demand charges for four months. As a result of this, the Corporation waived revenue of P 21 million.

SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION

Safety and Environment

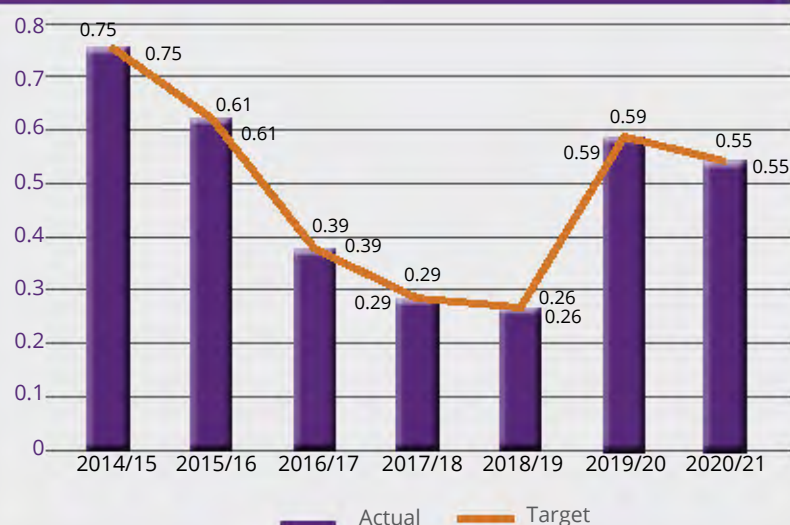
BPC continues to make strides in upholding the safety of its employees and service providers, coupled with efforts to protect the biophysical environment where it operates. During the current financial year, the Corporation suffered one public fatality as compared to the previous year 2020, where three fatal accidents were recorded.

The Corporation recorded a Lost Time Injury Frequency Rate (LTIFR) of 0.55 against a target of 0.45.

Sustainability Report

(Continued)

Lost Time Injury Frequency Rate 2020/21



Environmental protection initiatives continued to be implemented and monitored during the review period, and these included waste management, occupational hygiene mitigation, soil remediation and vegetation management along powerline servitudes.

Furthermore, in line with best practice and global trends, the Corporation has adopted 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). The Corporation continues to engage with all stakeholders to mitigate as well as reverse the downward safety trend, and this includes contractor management, enhanced training in all aspects of SHE, visibility felt leadership visits to assure employees of management's commitment to the Zero Harm Value.

Safety Leading Indicators Trends (Behavioral change)

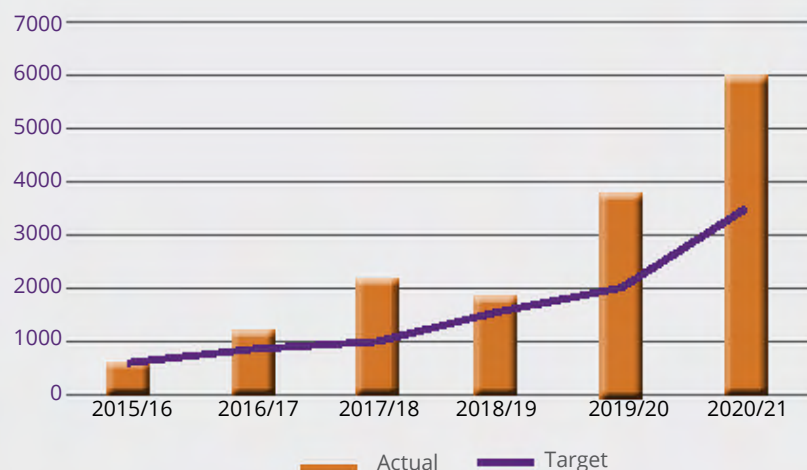
The reporting of leading indicators is satisfactory and has improved in the 2020/2021 financial year. However, there is still much to be done towards correcting ongoing unsafe conditions in the workplace.



Sustainability Report

(Continued)

Report Near hits (2020/21)



Public Safety

Members of the public are exposed to danger as a result of, among others, illegal connections, fallen poles, malfunctioning of equipment, vandalism and tampering with live electrical infrastructure on the distribution network infrastructure.

The Corporation did not record any controllable fatalities of members of the public. Regrettably there was one non-controllable fatality recorded, where an elderly person lost his life following an electrocution in Borotsi village.

- *The Public Fatalities/Incidents: Controllable KPI refers to the number of public fatalities due to electricity related incidents where BPC is highly likely to be liable.*
- *Public Fatalities/Incidents: Non-controllable KPI refers to the number of public fatalities that were due to electrocution as a result of varying factors which BPC had no control over. These include attempted theft of copper cables, and vandalism of infrastructure.*

Environment

Implementation of the vegetation management programme progressed well during the review period. 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. Various stakeholders were engaged throughout the year to ensure the success of the programme.

05

GOVERNANCE

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Corporate Governance Statement

Botswana Power Corporation (BPC) is committed to the highest standards of business integrity, ethical values and professionalism in all its activities. The Corporation places 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;
- 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 Corporations operations and results;
- The Corporation recognises its social responsibility and provides assistance and development support to the communities in which it operates.



Corporate Governance Statement (Continued)

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 Mineral Resources, Green Technology and Energy Security appoints the BPC Board Members and charges the Board with the responsibility of setting the direction of the Corporation's affairs. Botswana Power Corporation has a unitary board structure, where the Board is comprised of exclusively non-executive members; the BPC Board is composed of eight non-executive members and a non-executive Board Chairman, 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.

In addition to the eight non-executive members, the Board has one co-opted member who sits on the Board Procurement and Tender Committee. Conforming to the dictates of the King (IV) Code

of Governance for South Africa 2009, 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; engineering, project management, human resources management and finance. 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, notwithstanding that there have not been any development initiatives in the period.

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

Corporate Governance Statement

(Continued)

Member	Position	Date of Appointment
Mr. Bonny Thebenyane	Chairperson	16 July 2019
Prof. Oboetswe Motsamai	Vice Chairperson	01 April 2019
Mr. Bernard Kenosi	Member	16 July 2019
Dr. Leungo Kelebopile	Member	01 April 2019
Mr. Keith Thomas Blanchard	Member	01 November 2017
Mr. Vincent Kinnear	Member	01 December 2017
Mr. Pelaelo Khowe	Member	01 April 2019
Ms. Gaanewe Mogotsi	Member	01 April 2019
Mr. Simon Meti	Member	01 April 2019

The following Members retired from the BPC Board during the year under review:

Member	Date of Retirement
Mr. Bonny Thebenyane	30 September 2020
Mr. Keith Thomas Blanchard	31 October 2020
Prof. Oboetswe Motsamai	31 March 2021
Mr. Pelaelo Khowe	31 March 2021
Mr. Bernard Kenosi	31 March 2021
Dr. Leungo Kelebopile	31 March 2021
Mr. Simon Meti	31 March 2021
Mr. Vincent Kinnear	31 March 2021
Mr. Pelaelo Khowe	31 March 2021
Ms. Gaanewe Mogotsi	31 March 2021

The following Members were appointed to the BPC Board for a term of four years:

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

Corporate Governance Statement (Continued)

Board Meetings

The Board meets at least four times annually to discuss matters relating to, amongst other things; strategy and performance, financial position, 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 five 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. Pelaelo Khowe
Member:	Prof. Oboetswe Motsamai
	Ms. Gaanewe Mogotsi

Board Audit and Risk Committee

The Committee assists the Board in 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; and
- The performance of the Corporation's Internal Audit Corporate Support Unit.
- The appointment and supervision of the General Manager Internal Audit.

Chairperson:	Ms. Gaanewe Mogotsi
Member:	Mr. Vincent Kinnear
	Mr. Pelaelo Khowe

Board Procurement and Tender Committee

The Committee 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.

Chairperson:	Mr. Bernard Kenosi
Members:	Mr. Keith Thomas Blanchard
	Dr. Leungo Kelebopile
	Mr. Pelaelo Khowe
	Mr. Simon Meti
	Mr. Duncan Pie (co-opted)

Corporate Governance Statement

(Continued)

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;
- The appointment of Executive Management; and
- The Corporation's Performance Management System.

Chairperson:	Mr. Simon Meti
Member:	Mr. Vincent Kinnear
	Ms. Gaanewe Mogotsi
	Mr. Bernard Kenosi

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.

Chairperson:	Mr. Keith Thomas Blanchard
Member:	Prof. Oboetswe Motsamai
	Mr. Bernard Kenosi
	Mr. Vincent Kinnear
	Dr. Leungo Kelebopile

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 it may find necessary. The Board Procurement Complaints and Appeals Committee sits to consider and rule on complaints and appeals raised by bidders

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.

Board Secretary

The Board Secretary, who is appointed in terms of the BPC Act, is responsible for providing guidance to the Chairman and Board of Directors on their duties, responsibilities and powers. The Board Secretary advises on corporate governance, legal matters and statutory compliance. The function reports to the Board functionally and to the Chief Executive Officer administratively.

Corporate Governance Statement

(Continued)

Board Meetings Attendance and Sitting Allowances for April 2020 to March 2021

Member	Ordinary Board Meeting	Special Board Meeting Or Assignments	Board Finance And Investment Committee	Board Audit And Risk Committee	Board Procurement And Tender Committee	Board Human Resources Committee	Board Technical Committee	Sitting Allowance (BWP)
Mr. Bonny Thebenyane	02	-	-	-	-	-	-	4,500.00
Prof. Oboetswe Motsamai	03	21	03	-	-	-	02	91,800.00
Mr. Bernard Kenosi	04	34	-	-	12	05	04	126,700.00
Dr. Leungo Kelebopile	03	19	-	-	08	-	04	73,800.00
Mr. Pelaelo Khowe	04	37	06	05	08	-	-	140,400.00
Mr. Keith Thomas Blanchard	-	04	-	-	03	-	04	21,600.00
Mr. Vincent Kinnear	04	29	01	05	-	05	04	105,300.00
Mrs. Gaanewe Mogotsi	03	27	04	05	-	06	-	93,600.00
Mr. Simon Meti	03	62	-	-	08	05	-	192,600.00
Mr. Duncan Pie (Co-opted)	-	01	-	-	05	-	-	10,800.00

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.

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.

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 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.



06

**ANNUAL
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General Information

Members Of The Board

	Date of appointment
Prof O S Motsamai (Chairman)	01-Apr-21
P Khowe	01-Apr-21
M. Sebonego	01-Apr-21
R. Akanyang	01-Apr-21
C. Rabashwa	01-Apr-21
L. Sullivan	01-Apr-21
M. Majaha	01-Apr-21
P. Valashia	01-Apr-21
M. Obateng	01-Apr-21

Following are the members of the board who served during the financial year 2020/21 and retired including those reappointed

	Date of Retirement	Date of Reappointment
B Thebenyane (Chairman)	30-Sep-20	
Prof O S Motsamai	31-Mar-21	01-Apr-21
K Blanchard	31-Oct-20	
B Kenosi	31-Mar-21	
G Mogotsi	31-Mar-21	
P Khowe	31-Mar-21	01-Apr-21
Dr O Obakeng	31-Mar-21	
V Kinnear	31-Mar-21	
Dr L Kelebopile	31-Mar-21	

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 (Acting)
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
Banc ABC Botswana
Absa Bank of Botswana Limited
Stanbic Bank Botswana Limited
Standard Chartered Bank Botswana Limited

ATTORNEYS

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



STATEMENT OF RESPONSIBILITY AND APPROVAL OF FINANCIAL STATEMENTS BY THE MEMBERS OF THE BOARD

for the year ended 31 March 2021

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 2021, 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 judgments 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 Authority 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

STATEMENT OF RESPONSIBILITY AND APPROVAL OF FINANCIAL STATEMENTS BY THE MEMBERS OF THE BOARD

for the year ended 31 March 2021 (Continued)

of Mineral Resources, Green Technology and Energy Security). The external auditors are responsible for independently reviewing and reporting on the Corporation's financial statements and their report is presented on pages 116 to 123.

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 44.

APPROVAL OF THE FINANCIAL STATEMENTS BY MEMBERS OF THE BOARD

The financial statements set out on pages 124 to 196, which have been prepared on the going concern basis, were approved by the board on 27 August 2021 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 MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY

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 2021, 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 124 to 196 comprise:

- The statement of financial position as at 31 March 2021;
- 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 44 to the financial statements, which indicates that the Corporation incurred a loss of P384 137 000 for the year ended 31 March 2021 and, as of that date, the Corporation's current liabilities exceeded its current assets by P2 911 672 000. These conditions, along with other matters as set forth in Note 44, 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.

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.



INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY (Continued)

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
Impairment assessment of trade and other receivables and consumer loans At 31 March 2021, the Corporation recognised expected credit loss ("ECL") allowances of: • P101,293,000 with respect to consumer loans provided under the Corporation's hire purchase scheme (the "HPS receivables") (note 17 to the financial statements); • P90,601,000 with respect to consumer loans under the National Electrification Standard Cost scheme (the "NESC receivables") (note 21 to the financial statements); • P165,020,000 with respect to trade receivables for electricity sales (note 23 to the financial statements); and • P66,470,000 with respect to small work contractor receivables (the "SWC receivables") (note 23 to the financial statements). 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").	Our audit procedures included the following: 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. Trade and other receivables We assessed the Corporation's ECL provision matrix against the requirements of IFRS 9 and found the model to be consistent with these requirements. We tested the historical data used in the ECL provision matrix as at 31 March 2021 by agreeing this to supporting documents, calculations and other audited information. We found no material exceptions.



INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY (Continued)

Key audit matter	How our audit addressed the key audit matter
Trade and other receivables 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. The Corporation exercises judgement in assessing ECL, specifically in relation to determining the expected loss rates used in the provision matrix and the 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. Consumer loans The Corporation applies the general approach to impairment of consumer loans (which includes NESC receivables and HPS receivables), with lifetime ECLs only recognised when there is a significant increase in credit risk. This has been assessed using an impairment model taking into account Probabilities of Defaults ("PDs"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). 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).	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. We compared the actual value of accounts going into default from 31 March 2021 to 30 June 2021 to the value forecasted by the Corporation's ECL provision matrix and found no material differences. We formed an independent assessment of the expected loss rates and ECL allowance, including consideration of current and forward looking macroeconomic factors, and compared our outcome against those of the Corporation. We did not find material differences between our estimates and those of the Corporation. Consumer loans 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. We compared the observable data underpinning the PD calculation as at 31 March 2021 to relevant data sources and found no material exceptions. We tested the mathematical accuracy of the Corporation's ECL model and found no material exceptions.



INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY (Continued)

Key audit matter	How our audit addressed the key audit matter
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 the Corporation. Disclosures with respect to the application of IFRS 9 in determining the allowance for ECLs are contained in: • 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 17 Consumer loans – Hire purchase scheme, Note 21 Consumer Loans – NESF, Note 23 – Trade and other receivables.	We challenged assumptions and judgements made by the Corporation through discussion with management, comparison to relevant information and knowledge of the operations as gained through our audit in determining PD, LGD, EAD and application of forward looking macroeconomic factors and found these to be reasonable.
Impairment assessment of assets 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.	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. We tested the Corporation's annual budgeting and forecasting processes, including • Gaining an understanding of the key inputs through discussion with relevant officers responsible for the preparation of budgets and forecasts; • Testing to confirm that the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY (Continued)

Key audit matter	How our audit addressed the key audit matter
The 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. 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: • 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. Based on the Corporations' estimate, the value-in-use exceed the carrying amount of the assets and – accordingly - no impairment provision was accounted for. 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.	Our testing did not reveal any significant exceptions. We agreed the cash flows components of the valuation model to approved budgets for periods where budgets had been approved, with no exceptions. Using our internal valuation expertise, we developed an independent expectation of a reasonable range of weighted average cost of capital rates as proxy for an appropriate discount rate. We found that the discount rate utilised by the Corporation was higher than the upper end of our independently determined range. We assessed the impact of this difference on the value-in-use determination and concluded that application of a lower discount rate (such as per our estimate) would not result in an impairment being indicated. We tested the mathematical accuracy of the value-in-use calculation prepared by the Corporation and found no exceptions. We independently adjusted the cash flow forecasts utilised in the Corporation's calculation to reflect, amongst others, • 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 • A prudent increment in the refurbishment costs (reflecting uncertainty on the exact timing and extent of works to be performed).



INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY (Continued)

Key audit matter	How our audit addressed the key audit matter
Refer to the following disclosures in the financial statements for details: Summary of significant accounting policies: Key sources of estimation uncertainty Impairment of assets	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 2021", which we obtained prior to the date of this auditor's report and the other sections of the document titled "Botswana Power Corporation Annual Report 2021", 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 TO THE MINISTER OF MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY (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 determines 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 members of 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



INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY (Continued)

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.

- 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.

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 other 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;
- 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).

Individual practicing member: Rudi Binedell
Registration Number: 20040091

Gaborone
3 September 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 P'000	2020 P'000
Revenue	1	4,023,057	3,398,553
Other operating income	2	324,785	129,379
Consumer tariff subsidy	7	500,000	600,000
TOTAL OPERATING INCOME		4,847,842	4,127,932
Generation, transmission and distribution expenses	3	(3,853,940)	(4,296,166)
Administration and other expenses	4	(524,750)	(543,658)
TOTAL OPERATING EXPENSES		(4,378,690)	(4,839,824)
OPERATING PROFIT/(LOSS)		469,152	(711,892)
Interest income	8	14,581	29,262
Finance costs	9.1	(141,578)	(261,743)
Net foreign exchange gains/(losses)	9.2	446,753	(658,085)
Fair value (loss)/gain on cross currency and interest rate swap	10	(423,721)	84,079
PROFIT/(LOSS) BEFORE TAX		365,187	(1,518,379)
Income tax (charge)/credit	11	(749,321)	115,284
LOSS FOR THE YEAR		(384,134)	(1,403,095)
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	1,638,807	413,035
Deferred tax effect	28	(240,188)	(56,455)
TOTAL OTHER COMPREHENSIVE INCOME		1,398,619	356,580
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		1,014,485	(1,046,515)

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 P'000	2020 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	22,693,999	20,983,978
Right-of-use Assets	13	6,377	10,945
Investments at amortised cost	15	24,146	29,560
Other financial assets at fair value	35	438,839	856,542
		23,163,361	21,881,025
Current assets			
Standard cost recovery - NESC	20	74,361	154,079
Investments at amortised cost	15	423,137	399,988
Consumer loans - hire purchase scheme	17	11,408	10,667
Consumer loans - NESC	21	12,394	11,331
Inventories	22	483,286	448,331
Trade and other receivables	23	336,554	288,495
Bank balances and cash	16	181,331	182,589
		1,522,471	1,495,480
TOTAL ASSETS		24,685,832	23,376,505
EQUITY AND LIABILITIES			
Capital and reserves			
Irredeemable capital	24	10,127,053	9,423,076
Revaluation reserve	25	5,960,043	4,561,424
Other reserves	26	1,803,087	1,803,087
Accumulated loss		(5,631,546)	(5,247,412)
		12,258,637	10,540,175

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021 (Continued)

	Notes	2021 P'000	2020 P'000
Non-current liabilities			
Deferred income - consumer financed projects	27	2,622,563	2,686,917
Borrowings	29	4,030,496	4,899,182
Consumer deposits	30	84,470	77,450
Lease Liability	34	4,653	7,982
Deferred tax liability	28	1,250,870	261,361
		7,993,052	7,932,892
Current liabilities			
Bank overdraft	16	37,016	-
Consumer loans - rural collective scheme	18	98,705	94,261
Standard cost recovery	19	85,642	86,672
Borrowings	29	506,564	547,035
Consumer deposits refunds	30	2,966	2,618
Lease Liability	34	3,292	3,617
Trade and other payables	31	1,889,587	2,477,949
Advances - consumer financed projects	32	1,526,909	1,497,640
Provisions	33	283,462	193,646
		4,434,143	4,903,438
TOTAL EQUITY AND LIABILITIES		24,685,832	23,376,505

STATEMENT OF CHANGE IN EQUITY

For the year ended 31 March 2021

	Notes	Irredeemable capital P'000	Revaluation reserve P'000	Other reserves P'000	Accumulated losses P'000	Total P'000
Opening balance 1 April 2019		8,621,076	4,204,844	1,803,087	(3,844,317)	10,784,690
Loss for the year		-	-	-	(1,403,095)	(1,403,095)
Other comprehensive income (net of tax)		-	356,580	-	-	356,580
Transactions with owners in their capacity as owners						
Irredeemable capital contribution		802,000	-	-	-	802,000
Balance at 31 March 2020		9,423,076	4,561,424	1,803,087	(5,247,412)	10,540,175
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
Transactions with owners in their capacity as owners						
Irredeemable capital contribution	24	403,977	-	-	-	403,977
Reclassification of Debt Service Reserve Account funds	24	300,000	-	-	-	300,000
Balance at 31 March 2021		10,127,053	5,960,043	1,803,087	(5,631,546)	12,258,637

STATEMENT OF CASH FLOWS

As at 31 March 2021

	Notes	2021 P'000	2020 P'000
CASH FLOWS USED IN OPERATING ACTIVITIES:			
Cash generated from operations	37	959,714	888,875
Income tax paid		-	-
Net cash flow from operating activities		959,714	888,875
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Interest received		14,581	29,262
Purchase of property, plant and equipment	12	(759,871)	(1,887,696)
Proceeds from disposal of property, plant and equipment		3,770	954
Net cash used in investing activities		(741,520)	(1,857,480)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings	29	(460,353)	(608,360)
Interest paid		(140,765)	(260,782)
Repayment of lease	34	(4,572)	(4,284)
Settlements on other financial assets	10	(6,018)	82,762
Irredeemable capital contribution from the Government	24	403,977	802,000
Net cashflow from/(used in) financing activities		(207,731)	11,336
Net increase in cash and cash equivalents		10,463	(957,269)
Cash and cash equivalents at beginning of the year		582,577	1,539,846
Effect of foreign exchange rate changes		(25,588)	-
Cash and cash equivalents at end of the year		567,452	582,577

STATEMENT OF CASH FLOWS

As at 31 March 2021 (Continued)

	Notes	2021 P'000	2020 P'000
Cash and cash equivalents comprise:			
Investments at amortised cost	15	423,137	399,988
Bank balances and cash	16	181,331	182,589
Bank overdraft	16	(37,016)	-
		567,452	582,577

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021

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 April 2020.

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

- 1) Presentation of financial statements
Amendments to IAS 1 – effective 1 January 2020
- 2) Definition of Material – Amendments to IAS 1 and IAS 8 - effective 1 January 2020
- 3) The Conceptual Framework of Financial Reporting - effective 1 January 2020"

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 2021. 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 standards are not expected to have a significant impact on the Corporation financial statements:

- 1) COVID-19-Related Rent Concessions
ammendment to IFRS 16 – effective 1 April 2021
- 2) Interest Rate Benchmark Reform
ammendment to IAS 39, IFRS 7, IFRS 9 and IFRS 16 - effective 1 January 2021"

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

PROPERTY, PLANT AND EQUIPMENT - Continued

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. The Corporation's land and buildings and generation, transmission and distribution assets are revalued at minimum five year intervals.

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

Depreciation on revalued buildings and generation, transmission and distribution expenses is charged to profit or loss. On the subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised. Freehold land is not depreciated. 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 and 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

PROPERTY, PLANT AND EQUIPMENT - Continued

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.

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.

FUTURE COAL SUPPLIES

Non-refundable payments for capital charges and fixed charges to suppliers of coal for the period that the Corporation did not receive coal due to construction delays of the power station are deferred in the statement of financial position within future coal supplies and amortised over a period of eight years against the cost of coal supplied on the basis of the estimated annual tonnages and actual tonnes delivered. Under-recovered capital and fixed charges incurred during periods when the Corporation received lower tonnage than scheduled are immediately recognised in profit or loss.

INVENTORIES

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

INVENTORIES - Continued

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

TAXATION - Continued

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.

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.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

BORROWING COSTS - Continued

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.

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;
- 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

FINANCIAL INSTRUMENTS: IFRS 9

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);
- All other financial assets are measured subsequently at fair value through profit or loss (FVTPL)

Effective interest method

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

FINANCIAL INSTRUMENTS: IFRS 9 - Continued

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

Impairment of financial assets

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 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, IFRS 9, 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.

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 work 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 23 for details.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

FINANCIAL INSTRUMENTS: IFRS 9 - Continued

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 are immaterial. Expected Credit Loss ("ECL") on consumer loans has been assessed using an impairment model having taken into account of 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 23 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

FINANCIAL INSTRUMENTS: IFRS 9 - Continued

repurchasing it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument. 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, including 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 36. 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.

CONSUMER DEPOSITS

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

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 Connection Fund. The amount claimable by the Corporation is the difference between the standard charge of P5,000 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 is recoverable from the National Electrification Standard Connection Cost Fund. This Fund was established from P0.05 (5 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.

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, 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; and
- Identification of performance obligations; and
- Determination of transaction price; and

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

REVENUE - Continued

- Allocation of transaction price to the performance obligations to the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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 a 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 P24,146,000 (2020: P29,560,000). Details of these assets are set out in note 15.

KEY SOURCES OF ESTIMATION UNCERTAINTY

"The following are the key assumptions concerning the future, and other key sources

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY - Continued

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 at 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 2021.

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 2021, the Corporation estimated the fair value of the Power Station and underlying property and its improvements using replacement cost to be P14 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY - Continued

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 39.8.1.

Provision for obsolete inventory

The Corporation reviews the net realisable value ("NRV") 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. Any slow moving and obsolete stock (over 365 days old) is provided.

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 work 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 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 sensitivities are given on note 23.

Expected Credit Loss ("ECL") on consumer loans has been assessed using an impairment model having taken into account of 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY - Continued

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 and Economic Development 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 the current 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 current 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 judgments 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 judgments 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.

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 COVID-19, 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2021 (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY - Continued

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)	75.35%
Internal usage (as a% of units generated)	13.00%
System losses - Transmission and distribution losses (as a% of units sent out & purchased)	15.00%
Long term increase in demand (p.a)	3.00%
Expected annual growth in tariff (including the effect of tariff subsidy)	2.86%
Expected annual increase in domestic cost	4.40%
Expected refurbishment cost (as a % of revenue)	5.00%
BWP Discount Rate	6.40%

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)	72.61%
Expected annual growth in tariff (including the effect of tariff subsidy)	2.64%
Expected annual increase in domestic cost	5.05%
Expected refurbishment cost (as a % of revenue)	6.92%
Discount Rate	6.71%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

	2021 P'000	2020 P'000
1 REVENUE		
Sale of electricity:		
Mining	633,814	553,211
Commercial	1,472,146	1,320,225
Domestic	1,241,514	981,242
Government	673,696	540,655
	4,021,170	3,395,333
Interest earned on consumer loans	878	2,824
Reconnection charges	1,009	396
	4,023,057	3,398,553
Revenue recognised at a point in time	4,023,057	3,398,553
2 OTHER OPERATING INCOME		
Profit on sale of materials	35,342	38,856
Penalties and late payment fees	2,937	6,340
Rent receivable	4,020	4,086
Wheeling revenue	7,681	10,511
Consumer finance projects recoveries	21,207	26,711
Sales to Southern African Power Pool (SAPP)	1,250	17,311
Delayed liquidated damages- Morupule A Refurbishment	225,892	-
Other sundry income	25,116	25,076
Profit on disposal of property, plant and equipment	1,340	488
	324,785	129,379

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
3 GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES		
Fuel, water and chemicals	954,926	855,297
Power purchases	1,417,893	2,208,304
Maintenance - Generation	183,659	123,680
- Transmission, Distribution	241,657	186,884
Amortisation of deferred income - Other	(96,122)	(91,840)
Staff costs - Generation	216,347	183,988
- Transmission, Distribution	276,689	261,279
Depreciation - Generation	337,985	276,711
- Transmission, Distribution	275,749	270,185
Other expenses - Generation	14,321	21,678
Downward revaluation adjustment on substation building assets (Note 12)	30,836	-
	3,853,940	4,296,166

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
4 ADMINISTRATION AND OTHER EXPENSES		
Advertising	2,674	3,827
Auditor's remuneration	1,594	1,527
Bank charges	5,313	4,752
Board members fees	1,018	1,257
Commission costs	81,305	66,375
Consultancy fees	3,800	10,029
Customs duty, freight charges and price variance	683	1,089
Depreciation of items of property, plant and equipment and right-of-use assets	46,331	42,455
Fuels and lubricants	12,112	14,288
Insurance expenses	47,256	43,476
Provision/(reversal of provision) for litigation claims	(31,962)	42
Office cleaning costs	31,011	28,761
Other sundry expenses	42,283	24,892
Postage and telecommunications costs	11,700	8,716
Printing and stationery	1,536	1,619
Provision for impairment of receivable	36,239	81,815
Provision/(reversal of provision) for early exit packages	-	(23,813)
Rental expense	204	553
Repairs and maintenance	46,244	44,731
Security costs	24,003	23,663
Staff costs	152,857	146,139
Travel and accommodation costs	8,549	17,465
	524,750	543,658

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
5 OPERATING PROFIT/(LOSS)		
Operating profit/(loss) is arrived at after charging/(crediting) the following items:		
Depreciation of items of property, plant and equipment	655,391	585,374
Profit on disposal of property, plant and equipment	(1,340)	(488)
Repairs and maintenance of property, plant and equipment	24,003	23,663
Sale of materials	(244,655)	(303,684)
Cost of materials sold	209,313	264,828
Property rentals	204	553
6 STAFF COSTS		
Salaries and wages	582,690	536,351
Gratuities	8,850	6,869
Pension contributions	54,353	48,186
	645,893	591,406
Staffs costs are included in generation, transmission and distribution and administration expenses are reconciled below:		
Staff costs - Generation	216,347	183,988
Staff costs - Transmission, Distribution	276,689	261,279
Staff costs - Administration	2,674	3,827
	495,710	449,094

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
7 CONSUMER TARIFF SUBSIDY	500,000	600,000
"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 (2020:P600,000,000) to partially offset the operating losses.		
8 INTEREST INCOME		
Bank balances on call accounts and investments	14,581	29,262
9.1 FINANCE COSTS		
Interest on borrowings	140,765	260,782
Interest on lease liability - IFRS 16	813	961
	141,578	261,743
The interest costs incurred on the Industrial and Commercial Bank of China (ICBC) loan disclosed per Note 29		
9.2 NET EXCHANGE GAINS/(LOSSES)		
Net foreign exchange gains/(losses)	448,804	(661,284)
Fair value (loss)/gain on interest rate swap	(2,051)	3,199
	446,753	(658,085)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
10 FAIR VALUE (LOSS)/GAIN ON CROSS CURRENCY AND INTEREST RATE SWAP		
Realised fair value gain/(loss) on cross currency and interest rate swap	(6,018)	82,762
Received from Standard Bank Plc.	625,457	722,022
Payments to Standard Bank Plc.	(631,475)	(639,260)
Unrealised fair value gain/(loss) on the cross currency and interest rate swap	(417,703)	1,317
	(423,721)	84,079

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% (2020:6.83%) 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 P438,839,000 (2020: P856,542,000). See note 35.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
11 INCOME TAX EXPENSE		
Current tax	-	-
Deferred tax	749,321	(115,284)
	749,321	(115,284)
Income tax reconciliation:		
Profit/(Loss) before taxation	365,187	(1,518,379)
Taxation at 15% (2020: 15%)	54,778	(227,757)
Under provision in respect of previous year	-	11,047
Deferred tax asset not recognised on interest claimable	18,581	25,732
Reversal of Deferred tax asset on tax losses previously recognised	403,476	73,137
Deferred tax asset not recognised on current year tax loss	266,605	-
Disallowable/non-taxable items	5,881	2,556
	749,321	(115,284)

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	Land & Buildings P'000	Generation, Transmission & Distribution P'000	Other (Motor Vehicles, Furniture & Equipment) P'000	Capital Work in Progress P'000	Total P'000
12 PROPERTY, PLANT AND EQUIPMENT					
2021 Carrying Amount					
Balance at beginning of year	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

12 PROPERTY, PLANT AND EQUIPMENT - Continued

	Land & Buildings P'000	Generation, Transmission & Distribution P'000	Other (Motor Vehicles, Furniture & Equipment) P'000	Capital Work in Progress P'000	Total P'000
2020 Carrying Amount					
Balance at beginning of year	699,411	15,060,299	123,205	3,388,439	19,271,354
Additions	-	119,310	22,586	1,745,800	1,887,696
Disposals cost	-	-	(1,694)	-	(1,694)
Accumulated depreciation eliminated on disposals	-	-	1,228	-	1,228
Reclassification of maintenance expenses from opening balance	-	-	-	(2,267)	(2,267)
Reclassification of transmission and distribution buildings (Cost/Valuation)	141,291	(141,291)	-	-	-
Reclassification of transmission and distribution buildings (Acc. depreciation)	(6,024)	6,024	-	-	-
Depreciation	(12,060)	(546,896)	(26,418)	-	(585,374)
Transfers	-	2,470,668	-	(2,470,668)	-
Revaluation adjustment	129,957	283,078	-	-	413,035
Balance at end of year	952,575	17,251,192	118,907	2,661,304	20,983,978
At 31 March 2020					
Cost/valuation	952,575	17,251,192	171,125	2,661,304	21,036,196
Accumulated depreciation and impairment	-	-	(52,218)	-	(52,218)
Carrying amount	952,575	17,251,192	118,907	2,661,304	20,983,978
12.1 Revaluation adjustment credited to revaluation reserve					1,638,807
Downward revaluation adjustment debited to income statement (note 3)					(30,836)
Net increase in property plant and equipment as a result of revaluation					1,607,971

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

12 PROPERTY, PLANT AND EQUIPMENT - Continued

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

As at 31 March 2021, 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 AON 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 2021 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 nonfinancial 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)
- 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

12 PROPERTY, PLANT AND EQUIPMENT - Continued

	Level 1	Level 2	Level 3	Total Fair value
	P'000	P'000	P'000	P'000
Fair value measurement at 31 March 2021				
Land and Building	-	-	936,370	936,370
Generation Transmission and Distribution	-	-	19,465,499	19,465,499
Fair value measurement as 31 March 2020				
Land and Building	-	-	952,575	952,575
Generation Transmission and Distribution	-	-	17,251,192	17,251,192

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

Significant unobservable inputs used for Level 3 of the fair value hierarchy

Valuation technique	Valuation P'000	Key input and sensitivity
<i>Land and Buildings</i> Sales comparison method	234,142	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	614,196	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	88,032	These are main substation buildings and value based on replacement cost as no comparable market prices nor the rentals.
	936,370	

Generation, transmission and distribution assets

Replacement cost method	19,465,499	Determined based on change in replacement cost of main components*. 1% increase in cost will increase the value by P179Mn and vice versa.
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**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*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
13 RIGHT OF USE ASSETS		
During the last financial year, the Corporation applied ifrs 16 Leases for the first time. 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;		
Cost		
Balance as at 1 April 2020	14,922	-
Implementation of IFRS 16	-	11,329
Lease termination	(183)	-
New Leases during the year	288	3,593
Balance as at 31 March 2021	15,028	14,922
Accumulated Depreciation		
Opening balance	3,977	-
Charge for the year	4,674	3,977
Balance as at 31 March 2021	8,651	3,977
Net Book Value	6,377	10,945

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
14 FUTURE COAL SUPPLIES		
Balance at beginning of year	-	20,030
Amortisation during the year	-	(20,030)
Balance at end of year	-	-
Comprising of:		
Current portion	-	-
Non-current portion	-	-
	-	-

The Corporation entered into a revised coal supply agreement with Morupule Coal Mine on 28 April 2010 to align with the coal requirements of the Morupule B Power Station. In accordance with this Coal Supply Agreement, the coal price has three components to the coal charges which are capital charge, fixed charge and variable charge. The capital and fixed charges are payable to the supplier irrespective of the quantity of coal off take by the Corporation. During the period June 2011 to December 2011 the Corporation did not take up any coal due to construction delays experienced at the Morupule B Power Station. Capital and fixed charge payments for this period amounting to P182,985,000 were made and deferred in the statement of financial position within future coal supply. These costs are being amortised over a period of eight years against the cost of coal supplied on the basis of the estimated annual tonnages and actual tonnes delivered.

15 INVESTMENTS AT AMORTISED COST

Deposits with local banks	423,137	399,988
Deposits with foreign banks	24,146	29,560
	447,283	429,548
Current portion	(423,137)	(399,988)
Long-term portion	24,146	29,560

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
Investments held-to-maturity are classified as non-current assets, except for maturities within 12 months of the statement of financial position date which are classified as current assets. The current portion of the investments held-to-maturity comprises fixed deposits with local banks which earn interest at rates ranging from 2% to 6% (2020: 2 % to 6%). These fixed deposits are invested for periods ranging from 7 to 91 days (2020: 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 29.		
The deposits denominated in foreign currency are as follows:		
US dollar (\$000)	323,574	398,755
16 CASH AND CASH EQUIVALENTS		
16.1 Bank Balances	181,331	182,589
	181,331	182,589
16.2 Bank Overdrafts	37,016	-

The Corporation has an overdraft facility limit of P100 million with three commercial banks.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
17 CONSUMER LOANS - HIRE PURCHASE SCHEME		
17.1 Long-term portion		
Hire purchase scheme	112,701	105,408
Less: Short-term portion	(11,408)	(10,667)
Less: Loss allowance	(101,293)	(94,741)
	-	-
17.2 Short-term portion		
Hire purchase short-term portion	11,408	10,667
Less: Loss allowance	-	-
	11,408	10,667
Total	11,408	10,667

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% (2020:5.75%).

17.3 Movement in the loss allowance for hire purchase scheme receivables

Balance at beginning of year	94,741	96,241
Charge/(release) for the year	6,552	(1,500)
Balance at end of year	101,293	94,741

"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.

No any balances written-off during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

17 CONSUMER LOANS - HIRE PURCHASE SCHEME - Continued

	31 March 2021			31 March 2020		
	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
17.4 Gross carrying values and loss allowance						
Not past due	15,084	(4,987)	10,097	9,904	(6,311)	3,593
Past Due 30 days	6,440	(5,433)	1,007	5,020	(3,313)	1,707
Past Due 60 days	5,921	(5,617)	304	8,527	(3,159)	5,368
Past Due 90 days	4,735	(4,736)	(0)	1,167	(1,168)	(0)
Past Due > 365 Days	80,521	(80,521)	-	80,790	(80,790)	-
Total	112,701	(101,293)	11,408	105,408	(94,741)	10,667

	2021 P'000	2020 P'000
18 CONSUMER LOANS - RURAL COLLECTIVE SCHEME		
18.1 Long term Rural Collective Scheme	100,137	100,137
Less: Advance from Government	(100,137)	(100,137)
	-	-
18.2 Short term Rural Collective Scheme	4,993	9,437
Less: Advance from Government	(103,698)	(103,698)
	(98,705)	(94,261)
Total Government Revolving Fund	(98,705)	(94,261)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021	2020
	P'000	P'000

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% (2020: 5.25%).

19 STANDARD COST RECOVERY

Total standard cost

(85,642)

(86,672)

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 20 and 21.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
20 STANDARD COST RECOVERY - NESC		
Refunds due from the National Electrification Standard Connection Cost Fund	74,361	154,079
"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 for a connection. The difference between this standard charge and the actual cost incurred by the Corporation is claimable from the National Electrification Standard Connection Cost Fund. This fund is established from P0.05 (5thebe) levied to customers for every Kwh billed.		
21 CONSUMER LOANS - NESC		
Consumer loans - NESC	102,995	97,867
Less: Loss allowance	(90,601)	(86,536)
	12,394	11,331

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 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% (2020: 5.75%). Provision has been made on all accounts that defaulted on instalments plans after year end as evidence of default.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

21 CONSUMER LOANS - NESC - Continued

	2021 P'000	2020 P'000
21.1 Movement in the loss allowance for consumer loans NESC		
Balance at beginning of year	86,536	84,933
Charge/(release) for the year	4,065	1,603
Balance at end of year	90,601	86,536

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.

No any balances written-off during the year.

	31 March 2021			31 March 2020		
	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
21.2 Gross carrying values and loss allowance						
Not past due	14,486	(2,275)	12,211	12,239	(1,222)	11,017
Past Due 30 days	2,523	(2,341)	182	2,257	(2,096)	162
Past Due 60 days	2,316	(2,316)	0	2,169	(2,017)	152
Past Due 90 days	2,058	(2,058)	0	1,626	(1,626)	(0)
Past Due > 365 Days	81,612	(81,612)	-	79,575	(79,575)	-
Total	102,995	(90,601)	12,394	97,867	(86,536)	11,331

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021	2020
	000	000
22 INVENTORIES		
Coal and fuel	242,209	286,526
Maintenance spares and materials	241,077	161,805
Cost	294,473	224,277
Allowance for obsolete stock	(53,396)	(62,472)
	483,286	448,331

"The cost of inventories recognised as an expense during the year was P63,444,289 (2020: P41,012,738).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021	2020
	000	000
23 TRADE AND OTHER RECEIVABLES		
Electricity sales receivables:	235,967	140,015
Mining	24,809	35,404
Commercial	257,896	202,821
Domestic	34,591	33,469
Government related entities	117,347	72,289
Unallocated Receipts	(33,656)	(55,235)
Less: Loss allowance on electricity sales receivables	(165,020)	(148,733)
Small works contractors receivables:	71,736	60,013
Gross receivables from small works contractors	138,206	116,907
Less: Loss Allowance on Small works contractors receivables	(66,470)	(56,894)
VAT receivable	(3,214)	52,797
Southern African Power Pool	11,488	5,117
Other receivables	20,577	30,553
	336,554	288,495

The average credit period on sale of electricity is 55 days (2020: 45 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 P21,230,104 (2020: P23,777,027). 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 30.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

23 TRADE AND OTHER RECEIVABLES - Continued

	Small works contractors receivables		Electricity sales receivables	
	2021 P'000	2020 P'000	2021 P'000	2020 P'000
23.1 Movement in loss allowance - trade receivables				
Balance at beginning of year	56,894	7,563	148,733	125,312
Current year (reversal)/provision	9,576	49,331	16,287	23,421
Balance at end year	66,470	56,894	165,020	148,733

No any balances written-off during the year.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

23 TRADE AND OTHER RECEIVABLES - Continued

	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

	31 March 2020				
	Mining	Commercial	Domestic	Government	Total
	P'000	P'000	P'000	P'000	P'000
Balance at beginning of year	8,242	68,170	25,906	22,993	125,312
Charge/(release) for the year	1,957	26,597	6,498	(11,631)	23,421
Balance at end year	10,200	94,767	32,404	11,362	148,733

Balances due from government related entities are from the normal course of business. The impairment provision includes P12.13Mn (2020: P11.3 Mn) in respect of government related entities and no amounts have been written off during the year.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

23 TRADE AND OTHER RECEIVABLES - Continued

23.2 Gross carrying values and loss allowance

31 March 2021															
	Mining			Commercial			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	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	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	1,552	(111)	1,441	45,453	(766)	44,687	25,592	(1,381)	24,211
Past Due 30 days	2,819	(1,315)	1,504	25,477	(294)	25,182	273	(53)	220	25,794	(175)	25,620	25,900	(521)	25,379
Past Due 60 days	3,748	(19)	3,729	25,053	(4,681)	20,372	155	(155)	-	16,217	(248)	15,969	17,645	(430)	17,214
Past Due 90 days	-	-	-	12,282	(12,282)	-	195	(195)	-	6,918	(5,161)	1,757	13,438	(8,507)	4,931
Past Due > 365 Days	8,423	(8,423)	-	91,534	(91,534)	-	32,417	(32,417)	-	22,965	(5,777)	17,187	55,632	(55,632)	-
Totals	24,809	(9,787)	15,023	257,896	(110,175)	147,722	34,591	(32,931)	1,661	117,347	(12,127)	105,220	138,206	(66,471)	71,735

31 March 2020															
	Mining			Commercial			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	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	P'000	P'000	P'000	P'000	P'000	P'000
Not past due	23,120	(54)	23,065	68,104	(1,725)	66,379	891	(109)	782	40,327	(607)	39,720	14,763	(1,476)	13,287
Past Due 30 days	4,059	(1,921)	2,139	31,700	(228)	31,472	241	(35)	206	16,130	(42)	16,088	25,542	(414)	25,129
Past Due 60 days	-	-	-	15,175	(4,972)	10,203	404	(328)	76	3,853	(32)	3,821	13,460	(479)	12,982
Past Due 90 days	-	-	-	8,633	(8,633)	-	198	(198)	0	2,499	(1,202)	1,297	14,175	(5,561)	8,614
Past Due > 365 Days	8,225	(8,225)	-	79,208	(79,208)	-	31,734	(31,734)	-	9,480	(9,480)	-	48,966	(48,966)	-
Totals	35,404	(10,200)	25,204	202,821	(94,767)	108,054	33,469	(32,404)	1,065	72,289	(11,362)	60,927	116,907	(56,895)	60,011

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

23 TRADE AND OTHER RECEIVABLES - Continued

23.3 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 the Ministry of Finance's forecasted 7.7% shrinkage 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	P'000
<i>Consumer Loans- Hire Purchase</i>	101,293	101,077	98,602	97,451
Variance in loss allowance		216	2,691	3,843
Variance as % of loss allowance		0%	3%	4%
<i>Consumer Loans- NESC</i>	90,601	90,028	89,876	89,767
Variance in loss allowance		573	725	835
Variance as % of loss allowance		1%	1%	1%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

23 TRADE AND OTHER RECEIVABLES - Continued

Trade Receivables	Current year	"4 years (2018-2021) Average	3 years (2019-2021) Average	2 years (2020-2021) Average	1 years (2021)
	P'000	P'000	P'000	P'000	P'000
Mining	9,788	9,725	9,722	9,728	9,710
Commercial	110,175	108,071	108,564	108,422	108,080
Government	12,127	32,675	32,675	32,675	32,675
Domestic	32,931	11,447	11,447	11,447	11,447
Small Works Contractors	66,471	64,062	64,169	64,814	64,814
Grand Total	231,491	225,980	226,577	227,088	226,727
Variance in loss allowance		5,511	4,914	4,403	4,764
Variance as % of loss allowance		2.4%	2.2%	1.9%	2.1%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
24 IRREDEEMABLE CAPITAL		
Balance at beginning of year	9,423,076	8,621,076
Contribution received during the year	403,977	802,000
Government of Botswana Funding Rakola and Northwest Transmission projects	403,977	802,000
Reclassification of Debt Service Reserve Account funds (refer note 31)	300,000	-
Balance at end of year	10,127,053	9,423,076

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).

25 REVALUATION RESERVE

Balance at beginning of year	4,561,424	4,204,844
Revaluation surplus for the year (net of taxes)	1,398,619	356,580
Balance at the end of year	5,960,043	4,561,424

The properties revaluation reserve arises on the revaluation of land and buildings, generation, transmission and distribution assets.

26 OTHER RESERVES

Balance at beginning and end of year	1,803,087	1,803,087
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The purpose of this reserve is to complement the funding requirements for capital expenditure for the Corporation's expansion program.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
27 DEFERRED INCOME - CONSUMER FINANCED PROJECTS		
Balance at beginning of the year	2,686,917	2,672,650
Additions	31,768	106,107
Amortisation	(96,122)	(91,840)
Balance at the end of the year	2,622,563	2,686,917

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
28 DEFERRED TAX LIABILITY		
The movement on the deferred tax asset/(liability) is as follows:		
Balance at beginning of the year	(261,361)	(320,190)
(Charge)/credit to the income statement for the year (note 11)	(749,321)	115,284
Current year reversal/(charge)	(60,659)	225,200
Under provision in respect of previous year	-	(11,047)
Deferred tax asset not recognised on interest claimable	(18,581)	(25,732)
Reversal of deferred tax asset on tax losses previously recognised	(403,476)	(73,137)
Deferred tax asset not recognised on current year tax loss	(266,605)	-
On gain on revaluation of land and buildings and generation, transmission and distribution assets	(240,188)	(56,455)
Balance at end of the year	(1,250,870)	(261,361)
Comprising:		
Property, plant and equipment	(1,320,113)	(887,749)
Deferred income - Consumer Financed Projects	70,002	79,655
Unrealised exchange loss	(67,320)	99,193
Unrealised fair value gain on currency and interest rate swap	62,656	(198)
Others	3,904	25,681
Tax losses	-	422,057
	(1,250,870)	(261,361)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

28 DEFERRED TAX LIABILITY - Continued

	2021	2020
	P'000	P'000

Assessed/assessable tax losses as at 31 March 2021 is P4.95 billion (2020: P3.3 billion) and tax losses in Botswana have to be utilised within five years from the year of origination. As of 31 March 2021, the Corporation has carried forward interest claimable of 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 P787 million (2020: 98.9 million) has not been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	Current		Non-current	
	2021 P'000	2020 P'000	2021 P'000	2020 P'000
29 BORROWINGS				
Borrowings at amortised cost				
Government of the Republic of Botswana (funded by Nordic Development Fund)	2,616	2,651	26,163	29,159
Industrial and Commercial Bank of China	503,948	544,384	4,004,333	4,870,023
	506,564	547,035	4,030,496	4,899,182
Currency analysis of borrowings				
Foreign currency denominated			4,537,060	5,446,217.00
Total borrowings			4,537,060	5,446,217

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

29 BORROWINGS - Continued

		2021 P'000	2020 P'000
	<i>Interest Rate per annum</i>		
Government of the Republic of Botswana (funded by Nordic Development Fund)	0.75%	28,779	31,810
Industrial and Commercial Bank of China	"Libor+ 160bps"	4,508,281	5,414,407
		4,537,060	5,446,217

The borrowings are repayable as follows

Up to 1 year	506,564	547,035
2 - 5 years	2,026,256	2,188,140
Later than 5 years	2,004,240	2,711,042
Total	4,537,060	5,446,217

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 15.

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 35.

Movement during the year is as follows:

Balance at beginning of the year	5,446,217	5,393,293
Repayments	(460,353)	(608,360)
Exchange loss/(gain) on borrowings	(448,804)	661,284
Balance at end of the year	4,537,060	5,446,217

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
30 CONSUMER DEPOSITS		
Consumer deposits-non current	84,470	77,450
Consumer deposits refunds-current	2,966	2,618
	87,436	80,068
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.		
31 TRADE AND OTHER PAYABLES		
Trade payables and accruals	817,083	944,201
National Electricity Standard Cost levy payable to Government of Botswana	110,336	124,993
Reclassification from accounts receivable to accounts payable	55,785	48,175
Debt Service Reserve Account funded by Government of Botswana to comply with ICBC loan covenants (refer note below)	-	300,000
Contract Liability	37,081	32,672
Interest on borrowings	3,663	6,428
Payroll related accruals	66,668	53,531
Retentions	798,971	967,949
	1,889,587	2,477,949

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

31 TRADE AND OTHER PAYABLES - Continued

	2021	2020
	P'000	P'000

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 at as year end.

According to ICBC Loan covenants, the Corporation is required to keep a Debt Service Reserve Account equivalent to one instalment of the loan (September 2018) amounting USD33 million. In the year 2018/2019, the Government of Republic of Botswana funded the account with P300 million to meet this requirement and it was classified as a liability as the Corporation's understanding was this is repayable to the Government. During the current financial year, the Government confirmed that these funds are provided as support fund and Corporation is not required to repay.

32 ADVANCES - CONSUMER FINANCED PROJECTS

Advances received from customers	1,526,909	1,497,640
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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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	Coal off-take penalty P'000	Litigation claims P'000	Gratuity P'000	Early Exit package P'000	Total P'000
33 PROVISIONS					
Opening balance 1 April 2020	29,938	63,663	7,559	44,381	145,541
Charge/(reversal) for the year	96,932	(4,058)	14,393	(23,813)	83,454
Payments made during the year	(2,165)	(2,208)	(10,408)	(20,568)	(35,349)
Balance at 31 March 2020	124,705	57,397	11,544	-	193,646
Opening balance 1 April 2020	124,705	57,397	11,544	-	193,646
Charge/(reversal) for the year	123,830	(35,489)	9,824	-	98,165
Payments made during the year	-	(4,200)	(4,149)	-	(8,349)
Balance at 31 March 2021	248,535	17,708	17,219	-	283,462

Coal off-take penalty

"In the current year the Corporation re-negotiated the coal off-take from Morupule Coal Mine Limited for the period four year up to December 2020. In terms of the revised contract, should the Corporation fail to take an average annual delivery to a maximum of 1.8 million metric tonnes of coal during the four year period, penalties would be charged to the Corporation for the difference between the actual off-take and 1.8 million metric 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.

Gratuity provision

"Gratuity provision is recognised in respect of contractual obligations with contract employees, to pay a certain percentage of their remuneration package as a lump sum at the end of their contracts. The gratuity is payable at the earlier of termination of contract or expiry of employment contract.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
34 LEASE LIABILITIES		
Carrying amount as at 1 April 2020	11,599	-
Implementation of IFRS 16	-	11,329
Lease terminations	(183)	-
New leases during the year	288	3,593
Interest expense	813	961
Repayments	(4,572)	(4,284)
	7,945	11,599
The weighted average incremental borrowing rate for lease liabilities initially recognised as of 1 April 2019 was 8% per annum.		
Non Current	4,653	7,982
Current	3,292	3,617
	7,945	11,599
Maturity analysis		
Year 1	3,900	4,408
Year 2	2,825	3,886
Year 3	2,042	2,779
Year 4	196	1,990
Year 5	16	196
Onwards	-	16
	8,979	13,276
Unearned Interest	(1,034)	(1,677)
	7,945	11,599

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

34 LEASE LIABILITIES - Continued

	2021	2020
	P'000	P'000
Amounts recognised in the income statement		
Depreciation expense of right-of-use asset	4,674	3,977
Interest expense on lease liabilities	813	961
	5,486	4,938

35 OTHER FINANCIAL ASSETS AT FAIR VALUE

Financial assets carried at fair value through profit or loss (FVTPL)

Balance at beginning of the year	856,542	855,225
Unrealised fair value gain/(loss) on the cross currency and interest rate swap	(417,703)	1,317
Balance at end of the year	438,839	856,542

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

35 OTHER FINANCIAL ASSETS AND FAIR VALUE - Continued

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.

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	
	2021	2020	2021	2020
	%	%	%	%
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:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

35 OTHER FINANCIAL ASSETS AND FAIR VALUE - Continued

	2021	2020	2021	2020
	USD'000	USD'000	P'000	P'000
Notional hedged amount	406,647	452,103	4,508,281	5,414,407
Loan balance (Note 29)	(406,647)	(452,103)	(4,508,281)	(5,414,407)
Over hedged amount	-	-	-	-

36 COMMITMENTS

36.1 Capital commitments

Authorised but not contracted	85,066	710,824
	85,066	710,824

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

36.2 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	81,311	89,202
Later than one year but not later than 5 years	325,243	356,809
	406,553	446,012

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021 P'000	2020 P'000
37 NOTE TO THE STATEMENT OF CASH FLOWS		
Cash generated from operations:		
Profit before tax	365,187	(1,518,379)
Interest income	(14,581)	(29,262)
Finance cost	141,578	261,743
	492,184	(1,285,898)
<i>Adjustments for non-cash items:</i>		
Depreciation of property, plant and equipment (Note 12)	655,391	585,374
Depreciation of right-of-use assets (Note 13)	4,674	3,977
Downward revaluation adjustment on substation building assets (Note 12)	30,836	-
Reclassification of maintenance expenses from opening balance	-	2,267
Movement in investments at amortised cost	5,414	(3,629)
Fair value (gain)/loss on cross currency and interest rate swap (Note 10)	423,721	(84,079)
Amortisation of deferred income - consumer finance projects (Note 27)	(96,122)	(91,840)
Amortisation of future coal supplies	-	20,030
Unrealised exchange (gain)/loss on borrowings (Note 9.2)	(448,804)	661,284
Effect of foreign exchange rate changes on cash and cash Equivalents	25,588	-
Movement in provisions	89,816	48,105
(Profit)/loss on disposal of property, plant and equipment	(1,340)	(488)
	1,181,358	(144,897)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

37 NOTE TO THE STATEMENT OF CASH FLOWS - Continued

	2021 P'000	2020 P'000
Working capital changes:		
(Increase)/decrease in standard cost recovery - NESC	79,718	122,673
(Increase)/decrease in consumer loans - NESC	(1,063)	2,912
(Increase)/decrease in consumer loans - hire purchase scheme	(741)	2,666
(Increase)/decrease in inventories	(34,955)	29,091
(Increase)/decrease in trade and other receivables	(48,059)	31,947
Increase in consumer loans - rural collective scheme	4,444	6,266
(Decrease)/increase in consumer deposits	7,368	(2,802)
(Decrease)/increase in standard cost recovery	(1,030)	-
(Decrease)/increase in trade and other payable	(288,362)	623,912
(Decrease)/increase in advances - consumer financed projects	61,036	217,107
	(221,644)	1,033,772
Cash generated from operations	959,714	888,875

38 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 benefit plan and the gratuity expense are disclosed per Note 6.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

39 FINANCIAL INSTRUMENTS

39.1 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 2021.

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 24, 25, 26 and the statement of financial position respectively.

	2021 P'000	2020 P'000
Gearing ratio		
Debt	12,427,195	12,836,330
Cash and cash equivalents	(567,452)	(582,577)
Net debt	11,859,743	12,253,753
Equity	12,258,637	10,540,175
Net debt to equity ratio (%)	(97%)	(116%)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

39 FINANCIAL INSTRUMENTS - Continued

	2021 P'000	2020 P'000
39.2 Categories of financial instruments		
Financial assets at amortised cost		
Investments at amortised cost	447,283	429,548
Loans and receivables (including cash and cash equivalents)	616,048	594,364
	1,063,331	1,023,912
Financial assets held at fair value through profit or loss	438,839	856,542
Financial liabilities at amortised cost	8,171,595	9,600,145
Financial liabilities at fair value through profit or loss	-	-

39.3 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.

39.4 Market risk

The Corporation's activities expose it primarily to the financial risk of changes in foreign exchange rates (see 40.5 below) and interest rates (see 40.6) 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 35

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

39 FINANCIAL INSTRUMENTS - Continued

39.5 Foreign currency risk management

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

	Liabilities		Assets	
	2021 P'000	2020 P'000	2021 P'000	2020 P'000
Denominated in the following currencies:				
United States Dollar	4,508,281	5,414,407	323,574	398,755
South African Rand	10,754	37,495	5,735	5,079
Euro	28,779	31,810	475	4,325
	4,547,814	5,483,712	329,784	408,159

39.5.1 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.

Increase in loss for the year	(21,090)	(25,190)
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39.6 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

39 FINANCIAL INSTRUMENTS - Continued

	Liabilities		Assets	
	2021	2020	2021	2020
	P'000	P'000	P'000	P'000

39.6.1 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:

Loss for the year would increase by	(22,214)	(26,966)
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

39 FINANCIAL INSTRUMENTS - Continued

39.7 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.

		2021 P'000	2020 P'000
African Alliance	Non-investment grade	-	959
Stanbic Investment Management Services	Investment grade	169	162
Barclays Bank of London	Investment grade	24,146	29,560
Bank ABC	Non-investment grade	82,475	1,420
ABSA Bank of Botswana	Investment grade	71,352	155,644
Stanbic Bank Botswana	Investment grade	328,345	401,546
First National Bank Botswana	Investment grade	5,747	10,231
Botswana Investment Fund Management	Non-investment grade	1,968	1,892
Standard Chartered Bank	Investment grade	14,412	10,723
Bank Gaborone		100,000	-
Total		628,614	612,137

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.

39.8 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 undrawn facilities that the Corporation has at its disposal to further reduce liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

39 FINANCIAL INSTRUMENTS - Continued

	Up to 1 year	2 to 5 years	more than 5 years	Total
	P'000	P'000	P'000	P'000
39.8.1 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.				
2021				
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
2020				
Interest Bearing	677,833	2,569,524	3,054,369	6,301,726
Non-interest bearing	4,064,879	77,450	-	4,142,329
	4,742,712	2,646,974	3,054,369	10,444,055

39.8.2 Facilities

The Corporation has access to the following unutilised financing and overdraft facilities, of P100 million (2020: P100 million).

39.9 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.

39.9.1 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

39 FINANCIAL INSTRUMENTS - Continued

39.9 Fair value measurements (continued)

39.9.1 Fair value measurements recognised in the statement of financial position

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
	2021	2020				
	P000	P000				
Cross currency and interest rate swap	Asset-438,839	Asset - 856,542	Level 3	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). 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. 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.	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. For the CVA and DVA valuation adjustment the following inputs were not directly market observable: • 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.	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. The higher the Corporation's default probability and LGD the higher the value of the swap. 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. The higher the sigma parameter the higher the CVA and DVA adjustment.

The reconciliation of the level 3 derivative financial instrument is disclosed in note 35.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

		2021	2020
		P'000	P'000
40	CONTINGENT LIABILITIES		
40.1	Employee Scheme		
	The Corporation has guaranteed the obligations of certain employees under its motor vehicle and residential housing schemes in a total amount of	-	-
40.2	Public liability		
	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 Corporation has no further contingent liabilities.	10,800	10,800
40.3	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.		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

	2021	2020
	P'000	P'000
41 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, Note 23, Note 24 and Note 31.		
Remuneration of key entity personnel:		
Salaries and other short term employee benefits	10,290	9,593
Terminal benefits	3,175	1,729
Board fees	958	1,257
	14,423	12,579

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

42 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").

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021 (Continued)

43 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 (2020: P600,000,000), the Corporation has achieved an operating profit of P469,152,000 (2020: Operating loss of P711,892,000). Thus, it has complied with all the requirements of financial provisions of the Act.

44 GOING CONCERN

Inclusive of a consumer tariff subsidy of P500,000,000 (2020: P600,000,000) provided by the Government of the Republic of Botswana, the Corporation has recorded an operating profit of P469,152,000 (2020: Operating loss of P711,892,000) and loss after tax for the year being P384,137,000 (2020: Loss of P1,403,095,000). As at 31 March 2021, the Corporation has an accumulated loss of P5,631,546,000 (2020: P5,247,412,000) and as of that date the Corporation's current liabilities exceed its current assets by P2,911,672,000 (2020: 3,407,958,000).

The Ministry of Mineral Resources, Green Technology and Energy Security 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 Corporations' 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 P500,000,000 towards mitigation for the Corporation's financial shortfall for the financial year 2021/2022. The Government of the Republic of Botswana has historically provided financial support to the Corporation by way of annual tariff subsidies (such as the P500,000,000 subsidy already approved for the 2021/22 financial year), approval of tariff increases in excess of domestic

inflation rates (including an increase to 128.99t/Kwh from 125.23t/Kwh approved for the 2021/22 financial year), equity injections, loan funding, etc. Such support is expected to continue in future periods, as confirmed through past actions and in writing by the Ministry of Mineral Resources, Green Technology and Energy Security.

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

The Corporation's operating cashflow forecasts for financial year 2021/22 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 P500,000,000 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 cashflows. The impact of the public health responses to the COVID-19 pandemic on global and regional supply chains, restrictions on movement of people and overall demand for electricity may challenge the Corporation's ability to complete remediation works and generate the forecasted levels of electricity at the Morupule B Plant.

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 that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

45 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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