



BOTSWANA POWER CORPORATION

A 50 Year Journey of Powering Botswana



**Botswana Power Corporation
Annual Report 2020**

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Overview

KEY BUSINESS TERMS & RATIOS

Borrowings/Debt

All interest bearing liabilities.

Operating Profit

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.

Return on Property, Plant & Equipment

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

Earnings 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 accounts.

System Losses

The electrical energy that is lost during transmission and distribution of electricity.

Return on Total Average Assets Employed

Operating profit relative to its total average net assets.

Operating Profit/Loss to Revenue

Operating profit or loss expressed as a percentage of revenue.



BOTSWANA POWER CORPORATION

GENERAL INFORMATION

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BANKERS

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Gaborone, Botswana

First National Bank of Botswana Limited

P O Box 1552

Gaborone, Botswana

Standard Chartered Bank of Botswana Limited

P O Box 496

Gaborone, Botswana

Stanbic Bank of Botswana Limited

Private Bag 00168

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ATTORNEYS

Armstrongs

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Gaborone, Botswana

Minchin & Kelly

P O Box 1339

Gaborone, Botswana

INTRODUCTION

A 50 YEAR JOURNEY OF POWERING BOTSWANA

This year, Botswana Power Corporation (BPC) celebrates 50 years of existence and hence our theme is centered around the impact of electricity in development of Botswana. Over the past five decades, BPC has walked hand in hand with our country, developing Botswana from the ground up. From lighting up classrooms and connecting students to the rest of the world through the internet, to providing power to the plants that give us precious clean water, BPC has transformed our nation. BPC has been integral in transitioning our country from one of the poorest nations in the world to a shining beacon of peace, development and democracy. In-fact the Corporation has been and continues to be “Bearer of Light” in bringing development, connectivity and progress to every aspect of life in Botswana.

OUR BUSINESS

Botswana Power Corporation (BPC) was formed in 1970 by 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. It is regulated by the Botswana Energy Regulatory Authority (BERA). The Corporation is currently implementing its five-year transformation strategy, Masa 2020, whose objectives are to ensure that BPC becomes a financially self-sustaining entity that provides reliable and affordable access to electricity.

MASA 2020

MASA 2020 transformation strategy is based on the following strategic pillars:

A NEW ENERGY MIX:

The Corporation is embracing solar photovoltaic electricity generation particularly through the incoming independent power producers and will use the technology as part of an imaginative future energy mix to deliver power efficiently and cost effectively.

BRING POWER TO THE PEOPLE:

We are committed to deploying all the resources available to us, backed by Government, to take the empowering benefits of electricity countrywide.

MAKING BPC PROUD AGAIN:

Pride in their work and in their workplace is fundamental to employee morale, efficiency and productivity. A vital enterprise-wide goal is that of promoting and enabling the transformation of our image.

OUR MISSION

To provide safe, competitive and reliable electricity services.

OUR VISION

A leading power distributor in the region.

OUR VALUES

- **Valued Citizen**
- **Zero Harm**
- **Service Excellence**
- **Growth**
- **Ethical Conduct**

VALUE ADDED STATEMENT

	2020 P'000	2019 P'000
VALUE CREATED		
Revenue	3,398,553	3,363,144
Consumer Tariff Subsidy	600,000	800,000
Other Income	129,379	117,511
Less Energy Inputs and Other Expenses	(4,121,766)	(2,753,483)
	6,166	1,527,172
Finance Income	29,262	26,994
TOTAL VALUE CREATED	35,428	1,554,166
VALUE DISTRIBUTED	853,149	826,662
Employees-Salaries and Benefits	591,406	511,053
Finance Costs to Lenders	261,743	275,055
Taxation to Government	-	40,554
VALUE RETAINED (DEVELOPMENT AND MAINTENANCE)	(817,721)	727,504
Depreciation	585,374	525,583
Net Profit/Loss	(1,403,095)	201,921
TOTAL VALUE DISTRIBUTED AND RETAINED	35,428	1,554,166
VALUE CREATED (P'000)		
Revenue per employee	1,847	2,017
Value Added per employee	19	932
Value Added per GWh generated	9	396



OPERATIONAL HIGHLIGHTS FOR THE YEAR ENDED 31 MARCH 2020

▲ **1%**

Total Revenue

Increased by 1% to P3.398 billion in 2020 compared to P3.363 billion as at 2019

▲ **10%**

Other Operating Income

Stood at P129.379 million against P117.511 million recorded in 2019

▲ **36%**

Total Operating Expenditure

Total operating expenditure increased to P4.839 billion in 2020 from P3.552 billion in 2019

▽ **25%**

Tariff Subsidy

Tariff subsidy reduced from P800 million in 2019 to P600 million in 2020

▲ **156%**

Power Purchases

Increased to P2.208 billion in 2020 from P861.352 million in 2019

▽ **479%**

Total Comprehensive Income

Recorded a loss of P1.046 billion compared to P276.141 million profit in 2019

▽ **44%**

Current Assets

Decreased from P2.662 billion in 2019 to P 1.495 billion in 2020

▲ **9%**

Non-Current Assets

Increased to P21.881 billion in 2020 compared to P20.152 billion in 2019

▽ **0.5%**

Non-Current Liabilities

Decreased from P7.932 billion in 2019 to P7.793 billion in 2020

▲ **21%**

Current Liabilities

Increased to P 4.903 billion in 2020 compared to P4.055 billion in 2019

▽ **2%**

Shareholder's Equity

Decreased from P 10.784 billion in 2019 to P 10.540 billion in 2020



KEY ANNUAL STATISTICS

FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total unit sales (GWh)	3,330	3,294	3,336	3,349	3,479	3,495	3,449	3,310.1	3,197.7	3,118
Total generation (sent out) and imports	3,997	3,925	3,844	3,928	4,043	4,024	3,704	3,650.1	3,590.9	3,551
Staff Establishment	1,870	1,667	1,946	2,106	2,117	1,964	1,922	1,977	2,047	2,188
Total consumers	491,627	463,250	434,795	409,925	367,003	367,003	343,050	315,669	291,338	251,773
Plant capacity Morupule B (MW)	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)	610	610	610	610	610	610	572	578	542	553
Average selling price per unit (Thebe/kWh)	103	105	94	84	82.1	72.5	65.5	60	57	48.0
Average cost per unit (Thebe/kWh)	141	104	99	126	139	129	104	109	85	68
Operating Results (P'000)										
Total Revenue	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	1,512,236
Net Operating Expenses	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	2,119,262
Operating Profit/(loss) before Revenue Grant	(1,311,892)	(72,021)	(299,182)	(1,439,135)	(1,993,881)	(1,986,093)	(1,325,862)	(1,622,521)	(819,436)	(607,026)
Revenue Grant from the Government of Botswana	600,000	800,000	1,457,000	1,667,500	2,321,360	2,326,800	1,488,000	871,000	508,000	454,000
Operating profit/(loss) after Revenue Grant	(711,892)	727,979	1,157,818	228,365	327,479	340,707	162,138	(751,521)	(311,436)	(153,026)
Net Profit/(Loss)	(1,403,095)	201,921	674,108	(140,247)	(99,613)	(274,905)	114,053	(1,254,836)	(1,122,872)	(796,620)
Capitalisation (P'000)										
Long term debt	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	4,154,439
Net assets	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	5,117,891
Capital expenditure and WIP	1,887,696	1,023,771	1,468,046	1,818,737	1,052,189	358,218	423,346	989,467	1,786,583	3,930,033
Electricity (GWh) Source										
Morupule A	425	27	28	0	0	0	0	46	250	437
Morupule B	1697	3200	3399	2994	2604	2795	2038	714	0	0
Station usage	265	403	428	374	326	410	292	91	30	66
Emergency Generation	54	0	5	11	86	64	175	112	73	24
Sent out	1910	2824	3004	2631	2365	2449	1921	780	293	395
Purchased	2087	1101	840	1297	1679	1575	1783	2981	3371	3180
Total sent out and purchased	3997	3925	3844	3928	4043	4024	3704	3762	3664	3575



KEY ANNUAL STATISTICS

FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Sales disposition (GWh)										
Mining	683	669	676	837	1114	1194	1197	1128	1086	1117
Commercial	1194	1132	1149	1107	1087	1059	1028	982	910	820
Domestic	1086	1091	1065	1022	955	941	927	918	879	873
Government	325	316	319	314	323	301	297	282	323	308
Southern African Power Pool	42	86	127	70						
Total sales	3330	3294	3336	3349	3479	3495	3449	3310	3198	3118
Transmission and distribution Losses (GWh)	667	632	509	579	564	529	255	452	466	434
System losses (%)	16.68%	14.00%	14.89%	16.29%	15.18%	14.64%	7.47%	10.3%	12.3%	13.9%
Total consumers	491,627	463,250	434,795	386,024	386,024	367,003	343,050	315,699	291,338	251,773
Sales growth (%)										
Mining	2%	(1%)	(19%)	(25%)	(7%)	(0.2%)	6%	4%	(2.8)	(2.1)
Commercial	5%	(1%)	4%	2%	3%	3%	5%	8%	11%	(1.3)
Domestic	0%	2%	4%	7%	2%	1%	1%	4%	1%	5.3
Government	3%	(1%)	2%	(3%)	7%	1%	5%	(13%)	5%	0.1
Total sales (decline) growth	1%	(1%)	0%	(4%)	0%	1%	4%	4%	3%	0.3
Earning ratios (%)										
Net margin	(41.3%)	6.0%	22.4%	(5.1%)	(3.5%)	(10.9%)	5.0%	(63.2%)	(61.8%)	(52.7%)
Earnings to irredeemable capital	(7.6%)	8.4%	14.7%	3.6%	7.0%	8.3%	4.0%	(20.3%)	(9.7%)	(7.0%)
Return on total average assets employed	(6.0%)	0.9%	3.2%	1.2%	1.8%	2.0%	1.0%	(4.6%)	(2.1%)	(1.0%)
Operating Profit/(loss) to revenue	(20.9%)	21.6%	38.5%	8.2%	11.5%	13.4%	7.2%	(37.9%)	(17.2%)	(10.1%)
Return on revalued Property, Plant and Equipment (%)	(3.4%)	3.8%	6.2%	1.4%	2.1%	2.3%	1.1%	(4.6%)	(2.1%)	(1.0%)

BPC @ 50 YEARS

Rural Electrification Rate

Since independence, rural electrification rate has grown from zero to

88%

Diversity

BPC is currently facilitating solar energy project which includes 100MW supply from Independent Power Suppliers

Tariff Subsidy Reduction

Over the past five years tariff subsidy from Government has reduced by

76%

Citizen Economic Empowerment

100%

Use of only citizen owned contractors for Rural Electrification Projects

Generation Installed Capacity

Morupule A
(Thermal)

132MW

Morupule B
(Thermal)

600MW

Matshelagabedi
(Diesel)

70MW

Orapa
(Diesel)

90MW

Phakalane
Solar Station

1.3MW



BPC @ 50 YEARS

Training and Upskilling

BPC runs a fully fledged and accredited training school that offers a wide range of technical and soft skills training

Asset Base

Over

P20_{BN}

Including Generation, Transmission and Distribution Infrastructure

CSI

Across Various Sectors

Basic Education
Environment
Tertiary Education
Community Development

Load Shedding

0% load shedding for over

3Years

Credit Rating by Moodys

Baa2 with stable outlook

Head Count

1870

Customer Base

497,624



LEADERSHIP

Our leadership team is tasked with protecting and indeed growing the vision of BPC, and ensuring delivery of our turnaround strategy for the organisation.

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BOTSWANA POWER CORPORATION



CHAIRMAN'S REVIEW

Bonny Thebenyane
Board Chairman

Dear Stakeholder,

On behalf of the Board of Directors, it is my pleasure to present the Botswana Power Corporation's (BPC) Annual Report for the year ended 31 March 2020. The current calendar year marks the Corporation's 50th anniversary since formation, during which period it has been the light bearer for Botswana's economy. As a result, our economy has exponentially grown over the years to a high middle-income economy. With over twenty pula (20) billion worth of infrastructure in service, the Corporation has been a catalyst for development across all sectors of Botswana's economy.

During the year under review the Corporation made significant progress in the implementation of the Masa 2020 Strategy, which concludes at the end of the next financial year. A number of projects and initiatives were progressed to enhance the Corporation's power generation, transmission and distribution capacity, as well as the overall customer and employee experience.

CHAIRMAN'S REVIEW (CONTINUED)

Nevertheless, the year was not without challenges, as reflected by negative financial performance with more than P1 Billion loss recorded. This adverse performance is the result of ongoing challenges with Morupule B Power Station's availability. Although aspects of the remediation intervention to address these challenges were commenced, the onset of COVID-19 in late 2019 significantly affected the planned schedule due to subsequent global travel restrictions.

Morupule B Power Station (MBPS) performance declined during the year to a record low of 31% on average. In order to meet power demand, the Corporation imported electricity from the Southern African Power Pool (SAPP). In 2020, MBPS contributed 37% of the required 3,996,634 MWh to meet local demand.

The Morupule A Power Station (MAPS) refurbishment project was completed in February 2020 and is now in full commercial operation. This has enhanced the Corporation's generation capacity by 132 MW.

In addition, the emergency diesel powered plants at Matshelagabedi (70 MW) and Orapa (90 MW) continued to be maintained in readiness for any supplementary generation requirements.



We are duty bound to ensure the safety of our employees, contractors and the general public



Masa 2020's intention is to increase the renewable energy portion of our energy mix. The Corporation is facilitating the participation of Independent Power Producers (IPPs) in the production of renewable energy with the Corporation as the off-taker. The initial initiatives intended to aid the achievement of a new energy mix using this model are (2 x 50 MW) Solar Photovoltaic Project and the 12-Village Grid Tied Solar projects with a total capacity of 35 MW. Both projects are at various stages of the procurement process and are scheduled for commissioning by September 2022.

The North West Transmission Grid Connection Project commenced in January 2019 and is targeted for completion by the end of December 2020.



CHAIRMAN'S REVIEW (CONTINUED)

This additional transmission infrastructure will relieve the north western areas of Botswana of reliance on cross border electricity imports. In addition, the new grid will support mining, tourism and other Government activities intended to enable economic growth and diversification in this part of Botswana.

Due to resource constraints in the past, the health of our distribution network has deteriorated over time and the previous two consecutive periods of relative profitability have provided us with a window of opportunity to pursue an aggressive network rehabilitation programme. This work will take three (3) years to complete and its desired outcome is a more robust distribution network that can better withstand inclement weather conditions. The Corporation has also prioritised reinforcement of the transmission grid in the southern part of the country to cater for an increase in demand due to related growth in economic activities. A provision of P463.5 million was made by Government in 2019 for the construction and commissioning of four (4) bulk supply points at Mochudi, Ramotswa, Tlokweng and Gaphatshwa. The project, which is undertaken in phases, is scheduled for completion by June 2022 with the Gaphatshwa substation already commissioned and Ramotswa to undergo commissioning in December 2020.

Generation Installed Capacity

Morupule A
(Thermal)

132MW

Morupule B
(Thermal)

600MW



CHAIRMAN'S REVIEW (CONTINUED)

In support of Government's intention to increase access to electricity to Botswana, the Corporation continues to be the implementer of Rural Electrification Projects. These are targeting the electrification of 116 villages, of which 44 are new installations while the remainder (72) are extensions of existing networks. This work is awarded to citizen contractors in line with the Government's Citizen Economic Empowerment and Economic Diversification Drive initiatives. The projects are expected to be completed in December 2020.

As a Corporation we are duty bound to ensure the safety of our employees, contractors and the general public, all of whom are constantly exposed to the high risk of electricity. To enhance public, employee and contractor safety, the Board Technical Committee plays an oversight role to guide and support management in achieving the Corporation first priority of "Zero Harm".

As a responsible corporate citizen, BPC embarked on a Biodiversity Action Plan, which introduced environmental protection initiatives, such as waste segregation at source, waste recycling as well as vegetation management along transmission and distribution lines.

The Corporation has embraced sustainability in all its operations, and this has culminated into compassion and care extended to our communities. Our approach to Corporate Social Responsibility efforts is based on creating sustainability through transforming the lives of school children, the elderly, as well as the improvement of health and wellness in our communities.



CHAIRMAN'S REVIEW (CONTINUED)



Restoration of pride amongst our employees is still a fundamental objective of Masa 2020 Strategy. In the year under review, we managed to conclude our restructuring exercise and implemented several employee upskilling initiatives in an effort to inculcate an innovative and high-performance culture across the business.

On behalf of the BPC Board of Directors, I wish to offer my gratitude to Management and employees for their invaluable contribution during the year. This year was probably the most challenging so far within the Masa 2020 strategy period, but our people remained resilient and focused.

I also wish to offer my gratitude to continued support that we receive from our Government. This has enabled us to pursue our mandate with purpose and focus.



Bonny Thebenyane
Board Chairman

BOARD MEMBER PROFILES

Mr. Bonny Thebenyane Board Chairman

Mr. Bonny Thebenyane holds a Bachelor of Commerce (Accounting) Degree from the University of Botswana. He joined Debswana in 1997 and is currently Group Secretary. He is a Fellow and a Director of the Southern African Division of the Institute of Chartered Secretaries and Administrators. In 2006, he was elected President of the Institute, the youngest and first person from outside South Africa to hold the position. He received the Institute's Distinguished Service Award in 2011. He previously served on the Debswana Pension Fund Board of Trustees.



Prof. Oboetswe Seraga Motsamai Vice Chairman

Prof. Oboetswe Seraga Motsamai is a mechanical and aeronautical engineering professor at University of Botswana, Department of Mechanical Engineering. He received BEng. in mechanical engineering from the University of Botswana, in 1996 and MSc. Degree in Thermal Power and Fluids Engineering from the University of Manchester Institute of Science and Technology (UMIST). He received 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, a mechanical engineering contractor and later worked for G4 Consulting Engineers, before, joining UB. He has researched and published extensively in the area of mechanical, aeronautical engineering and renewable energy, collaborating with local and international companies on R&D projects. He has served the University of Botswana in many high level committees: i.e. HOD, SENATE and FAPRAC. He also served in the Advisory Board for Botswana College of Engineering and Technology. He served the Government of Botswana in various committees and assignments: i.e a member of a committee under the Ministry of Energy and Water Resources for Concentrated Solar Thermal Power plant (100 MW), development of a 100MW photovoltaic power station, development of BERA policy documents and the recent Energy Balance exercise. He has previously assisted CEDA, LEA and other companies in engineering related projects.

BOARD MEMBER PROFILES (CONTINUED)



Mr. Pelaelo Khowe Member

Mr. Pelaelo Khowe is a Fellow Certified Chartered Accountant, a Fellow Certified Professional Accountant and holds MBA from the University of Derby with over 18 years of experience in Finance, Accounting and Grants Management. Currently, he is the Financial Advisor in the Ministry of Mineral Resources, Green Technology and Energy Security responsible for the Management of Ministerial Mega Projects Finance and Investment Appraisals. He started his professional career in 2001 as a Financial Accountant at Botswana Post before joining Local Enterprise Authority as Financial Advisor and went on to become In-Country Finance Manager at Botswana-UPenn Partnership. Pelaelo has also held the position of Director, Finance and Administration at the Botswana National Youth Centre and Head of Finance and Administration at TechnoServe Botswana and Group Management Accountant at the BMC. He has attended several Management Development Programmes.

Mr. Bernard Kenosi Member

Mr. Bernard Kenosi holds a Bachelor's Degree in Civil Engineering from the University of Botswana and a Master's Degree in Engineering Project Management from the University of Pretoria. He started his professional career in 1996 as a Construction Engineer at Bergstan, joining Debswana in 2004 as a Section Engineer at the Orapa, Letlhakane and Damtshaa Mines. In 2006, he joined BCL Limited as Manager Projects Management. He was Technical Coordinator at Gem Diamonds Botswana at Ghaghoo Mine until 2018. Mr. Kenosi currently runs a construction management consultancy that supports mines and Government.





BOARD MEMBER PROFILES (CONTINUED)



Dr. Leungo Kelebopile
Member

Dr. Leungo Kelebopile is a Lecturer in the Department of Mechanical, Energy and Industrial Engineering at Botswana International University of Science and Technology (BIUST). He has previously worked as a Renewable Energy Engineer at Botswana Technology Centre (now BITRI). He holds an MSc in Renewable Energy Systems Technology from Loughborough University and a PhD in Thermal Power Engineering from Harbin Institute of Technology.

Ms. Gaanewe Mogotsi
Member

Ms. Gaanewe Mogotsi is knowledgeable in project monitoring and implementation and has over 20 years of experience in this field, working in the public sector. She holds a Master’s Degree in Trade and Development (Economics) from University of New South Wales, Australia, a Post Graduate Certificate in Risk Management from Botswana Accountancy College and a Bachelor of Arts (Economics) from University of Botswana. Ms. Mogotsi is currently employed as Deputy Director Development Programmes at the Ministry of Finance and Economic Development.



Mr. Keith Thomas Blanchard
Member

Mr. Keith Blanchard is a member of the MIE Institute of Engineers, London UK, and the South African Council for the Project and Construction Management Professions. He kick-started his career in Engineering as the Project Engineer at the United Kingdom Atomic Energy Authority from 1971 to 1977. Over the years, Mr. Blanchard has headed various large mining sector projects in the United Kingdom, South Africa and Zambia from 1977 to 2006. In 2007, he joined Anglo Platinum as the Programme Manager in the Process and Mining Projects Division which position he held until 2012. He has also worked at Debswana Diamond Company as the Technical Services Director. He is currently retired.



BOARD MEMBER PROFILES (CONTINUED)

Mr. Simon Meti Member

Mr. Simon Meti began his career in Human Resources in 1977 as a Labour Assistant in the Department of Labour and Social Security, progressing to the position of Principal Labour Officer heading the Law Enforcement Unit. He joined Botswana Development Corporation as Human Resources Development Manager in 1989, successfully transforming the Personnel Unit by implementing the HR strategy and restructuring the organisation. He joined the Botswana Horticultural Market in 2014, retiring in 2018 in the position of Acting Chief Executive Officer.



Mr. Vincent Kinnear Member

Mr. Vincent Kinnear graduated from the University of Botswana with a Bachelor of Engineering (Electrical and Electronics) in 2003. He holds a Post Graduate Certificate in Enterprise Risk Management and PRINCE 2 Practitioner certificate. He is a Professional Engineer registered with Engineers Registration Board.

Mr. Kinnear joined Department of Water Affairs in 1995 where he served and held various positions in project management, design, operation and maintenance fields. He has held the position of Head of Electromechanical Division since 2008, and was promoted to the position of Deputy Director Project Management Office on the 1st June 2018, in the Ministry of Land Management, Water and Sanitation Services.

CHIEF EXECUTIVE OFFICER'S REVIEW

I have the honour and privilege to report on the Corporation's performance for the year ended 31 March 2020 on behalf of BPC Management. This past year also marks the Corporation's 50th anniversary. We are proud of the Botswana Power Corporation's track record in powering the nation to prosperity since its establishment.

Through several strategies over the years, BPC has been able to consistently deliver on its mandate of providing electricity to Botswana's vibrant economy. Having driven exceptional growth and a successful transformation of the Botswana economy over the past 50 years, we are confident that despite the current challenges, the Corporation will consistently drive the nation's agenda for years to come. During the year under review the business remained on course with respect to our Masa 2020 strategic objectives of secure electricity supply, sustainable energy and restoring pride amongst our people.



BOTSWANA POWER CORPORATION



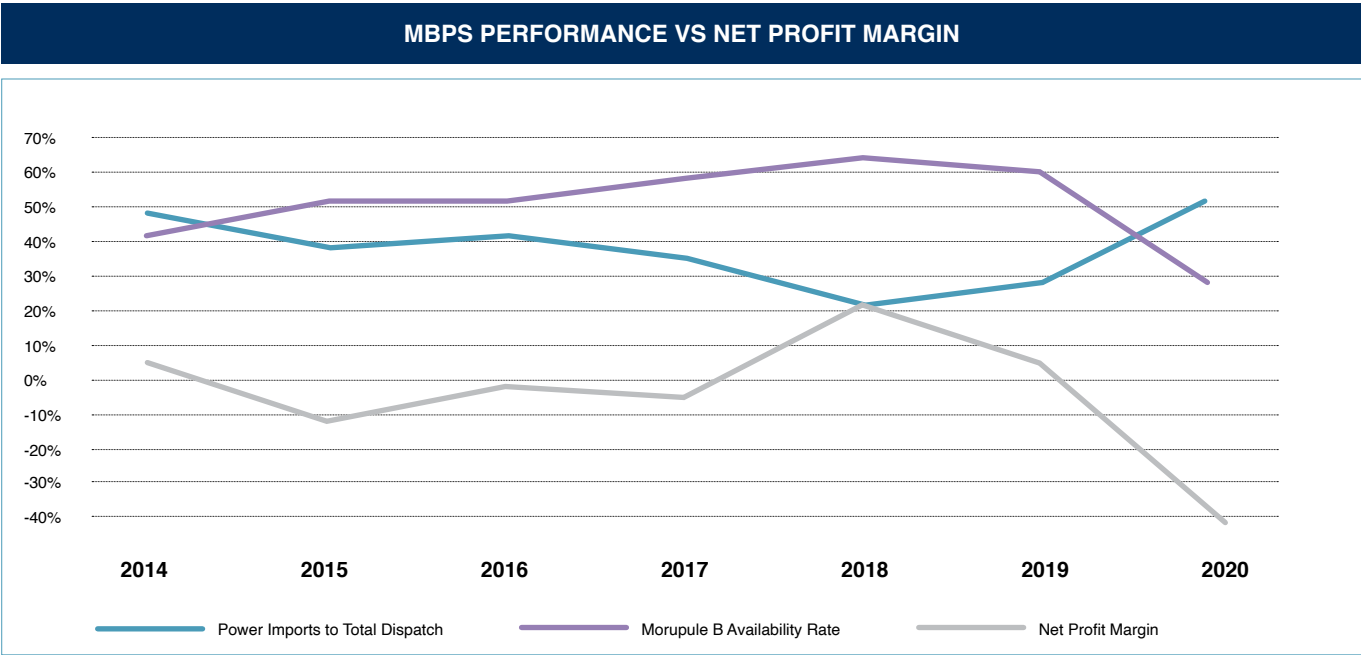
Edward Rugoyi
Acting Chief Executive Officer



CHIEF EXECUTIVE OFFICER’S REVIEW (CONTINUED)

FINANCIAL HIGHLIGHTS

During the year under review, the Corporation was severely vulnerable on account of Morupule B Power Station (MBPS) whose availability rate was 31%. This required us to import significant quantities of power.



In the review period, Total Revenue increased by 1% to P3.398 billion, compared to P3.363 billion as at 31 March 2019. With no tariff increase during the year, the increase is attributed to the normal increase in consumption and sales. Other operating income which incorporates mainly the profit on the, sale of material to Distribution Works Contractors, Consumer Financed Projects recoveries and export of electricity through Southern African Power Pool (SAPP), stood at P129.379 million. This reflected a decrease of 10% from P117.511 million in the prior year.

Total Operating Expenditure for the year was P4.839 billion compared to P3.552 billion in the prior year, reflecting a 36% increase (P1.287 billion). This was mainly due to increased power imports as a result of the poor performance of Morupule B. The Corporation recorded a total comprehensive loss, after financing activities and income tax, of P1.403 billion million compared to a P201 million profit in 2019.

Total non-current assets net of depreciation increased by 9% (P1.728 billion) to P21.881 billion (P20.152 billion in 2019). This is mainly attributable to:

- **P1.712 billion capital additions during the year consisting mainly of work in progress for the Morupule A, Northwest and Rakola Projects.**
- **P10 million recognition of Right of Use assets comprising lease agreements of residential and commercial properties.**

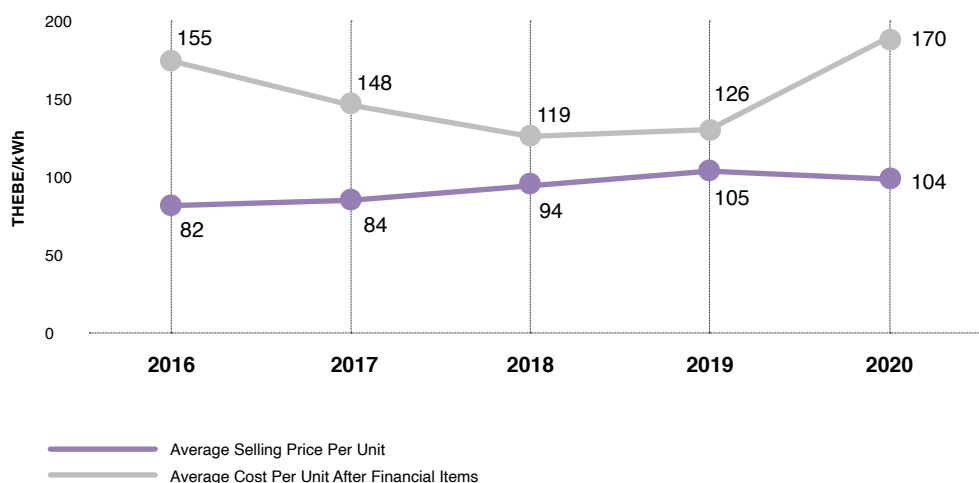
CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

Current assets decreased by 44% from P2.662 billion to P1.495 billion for the year under review. The Capital and Reserve (Shareholder's equity) was reported at P10.540 billion, against P10.784 billion in the prior year, reflecting a decrease by 2% (P244 million). Non-current liabilities decreased by 0.5% (P41.096 million) to close the year at P7.932 billion against P7.973 billion in the prior year. Current liabilities rose by 21% (P827 million) to P4.903 billion compared to P 4.055 billion at the same time last year.

Government intends to migrate electricity tariffs to a cost-reflective level whilst ensuring that they remain affordable for consumers. This requires the Corporation to exercise prudence

in order to avoid possible disparities between cost-reflective and affordable tariffs. In 2020, customer tariffs reflected an under-recovery of 66 thebe per unit after taking financial items into consideration. At the same time, the consumer tariff subsidy from Government, which aims to cushion the financial impact of non-economic tariffs, was reduced from P800 billion to P600 million. The Corporation has submitted a tariff increase application for 2020/21 and it is expected that significant progress will be made in a journey towards cost-reflective tariffs.

YEARLY UNDER RECOVERIES



CHIEF EXECUTIVE OFFICER’S REVIEW (CONTINUED)

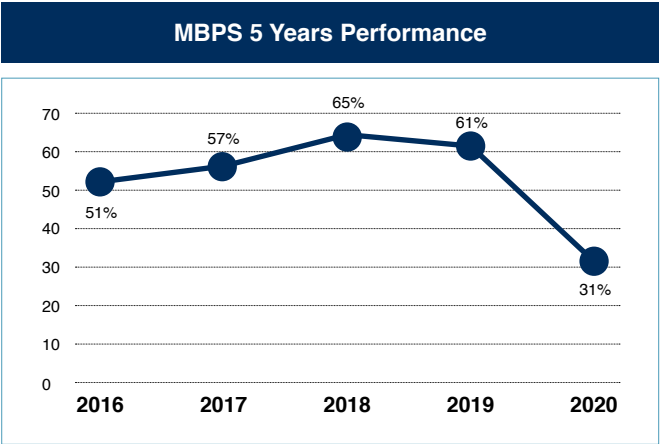
PROJECTS

Morupule A Power Station Refurbishment

In 2020, the Corporation completed the refurbishment of Morupule A Power Station (MAPS) at a cost of P2.419 billion. The refurbishment has overcome the plant degradation and secured 132 MW generation capacity for a further seven years. This development means that the Corporation’s generation capacity has been boosted, which is crucial particularly during Morupule B remediation time in order to improve security of supply. Since returning to commercial operation, MAPS reliability has consistently been above 77% on average.

Morupule B Power Remedial Works

The Morupule B 600MW project which was completed in November 2012 did not meet its intended objective of providing 600MW (gross) firm generation capacity over a period of 30 years. The plant was taken over by BPC in June 2014 prior to the contractor meeting its contractual obligations in order to gain control of the power plant. Over the past five years, MBPS’s performance has averaged around 53%, hence the need to do remedial works which will be undertaken at the Engineering, Procurement and Construction (EPC) contractor’s expense.



The implementation of remedial works on the first unit (Unit 4) started on 19th June 2019 and was originally scheduled to be completed on 4th September 2020. However, due to impact of corona virus the completion date of Unit 4 has been moved to to July 2021. The overall remediation of the other 3 units is expected to be completed by end of 2023.

Solar Photo Voltic Development (New Energy Mix)

The primary energy source for Botswana is coal, with the electrical energy demand of approximately 3 900GWh per annum being met from coal-fired power plants (Morupule A & B) and imports mainly from Eskom of South Africa whose electricity is generated mostly from coal-fired power plants. In order to realise the country’s vision (Vision 2036) in respect of renewable energy and to comply with the international environmental protocols to which Botswana has subscribed, the Corporation, with the support of its parent Ministry, has embarked on a project to develop a new energy mix to ensure sustainable development of the energy sector.

The Corporation is at the final stages of procuring investors for the 2 X 50 MW Solar Photovoltaic Power Plants to be developed in Jwaneng and Selibe Phikwe. On 26 November 2018, BPC issued a public tender inviting proposals from Independent Power Producers (IPP’s) to submit bids for the development, financing, construction, operation and maintenance of 12 solar photovoltaic power projects ranging from a capacity of 1 to 4 MW under the Accelerated Green Energy Initiative. Through this process, the Corporation has awarded the tender to one successful bidder for the development of a 1MW Solar plant in Shakawe and a 3MW Solar Plant in Bobonong. To complete the project, the Corporation has re-issued the tender giving IPPs another opportunity to submit bids for the remaining 10 locations as there were no successful bidders.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

North West Transmission Grid Extension Project

The P2.355 billion North West Transmission Grid (NWTG) extension project will result in the extension of the country's high voltage transmission grid from Morupule in Palapye to Maun, Shakawe and Ghanzi via Orapa. The project will provide firm grid supply to the North West part of the country, facilitating to unlock the potential for economic development, notably in mining and agricultural developments. In addition, it will reduce reliance on cross border supply from Namibia in Ghanzi and Shakawe. The NWTG project was initially scheduled to be commissioned at end-December 2019. However due to the Covid-19 pandemic, the project was delayed and completion is expected at end-December 2020.

Reinforcement of Bulk Supply Points

As at the end of 2020, the Corporation was executing several projects aimed at reinforcing the transmission grid in the southern part of the country to cater for the increasing demand in Gaborone and its environs. The scope of the project covers the construction and commissioning of transmission bulk supply points in Mochudi, Ramotswa, Tlokweng, Gaborone South and Gaphatshwa. It is expected that all this work will be commissioned by June 2022. Gaphatshwa and Gaborone South projects have since been completed, while Ramotswa is over 90% complete. Mochudi and Tlokweng are scheduled for completion by June 2022.

Rural Electrification Programme

Increasing access to electricity has been the core mandate of the Corporation since its founding 50 years ago and this is being achieved through the Rural Electrification Programme which is playing a crucial role in the development of villages in Botswana. In line with the Government's objective to increase access to energy service and contribute to rural development, the Corporation is currently electrifying and extending networks to a designated 116 villages across the country and the project is expected to be completed by December 2020. During the year under review, 43 additional villages were electrified and network extensions were completed in 72 villages, bringing the level of rural electrification to 90.4%. It is worth noting that the Corporation is executing the distribution projects through prequalified, 100% citizen-owned companies and consultants thus generating employment for many Batswana. The challenge which needs to be addressed is the low uptake of electricity in electrified villages despite the subsidised connection fee of P5,000.00 under the National Electricity Standard Connection (NESC) scheme.

Distribution Network Reinforcement

The reliability of the distribution network in some parts of the country has been below the desired standard due to factors such as aged equipment, network overloads where demand exceeds installed network capacity, and inadequate maintenance. In order to address the prevailing challenges of frequent power cuts at distribution level, notably in Gaborone and Francistown, the Corporation has embarked on a distribution network rehabilitation project which entails a phased reinforcement/refurbishment of the distribution network over the next three years. The project is scheduled for completion in June 2022.

SAFETY, HEALTH, ENVIRONMENT AND RISK

Creating a safe working environment for employees and stakeholders is key to the realisation of the Masa 2020 transformation strategy. The Corporation has embraced the notion of "Zero Harm" which compels us to continuously improve our processes and deliver services without harming life and the environment. Our strategy is proactive and seeks stakeholder engagement with the sole intention of raising awareness around safety, health and environmental issues.

The Corporation is enhancing measures aimed at promoting safe behaviours among its employees, contractors, service providers and the public in order to achieve Zero Harm.

To ensure that BPC processes and activities are conducted in an environmentally responsible manner, the BPC Safety Health Environment & Risks policy has been revised to inform the Corporation's Environmental Management Systems. There were no major environmental incidents during the year under review at any of our operations nationwide. The two major departments, generation and transmission & distribution, will need to focus on the competency of employees in implementing the ISO 14001:2015 management system standard.

We constantly monitor our SO₂ emissions to ensure that all deviations from set local and international levels are immediately corrected, particularly within our generation fleet. The remedial work planned for MBPS includes a major overhaul of the limestone conveying system to improve compliance. BPC successfully established an air quality station at Kgase Primary School in Palapye to monitor ambient air quality and carbon footprint.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

BPC has adopted a risk management philosophy aimed at identifying and predicting potential and emerging risks before they occur. An enterprise risk management culture is being encouraged and embedded through engagement with various departments. The Corporation has a new risk management structure which combines all risk functions. Synchronizing the Enterprise Risk Management (ERM) framework in line with ISO31000 is critical so as to increase the maturity of the risk management process.

HUMAN CAPITAL

The Corporation completed restructuring during the year. The process was meant to renew our skills base and to establish a high-performance culture. To sustain the transformation strategy and high-performance culture, the Corporation continues to recruit and retain skilled employees and competent employees.

We subscribe to employee work life balance and as such are committed to promoting health and wellness programmes, holding several wellness events throughout the year.

Our graduate trainee programme continues to attract 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.

Towards the end of the year, the world was hit by the novel coronavirus. The Corporation had to instantly respond by putting up a fully resourced response team and appropriate interventions

CORPORATE SOCIAL RESPONSIBILITY

One of Botswana Power Corporation's values is "Valued Citizens" which aims to contribute to the development and sustainable growth of the communities within which we live and operate. In its endeavour to uphold this value and make an impact in the lives of Batswana, the Corporation continues to be a responsible corporate citizen collaborating with and sponsoring different communities across the country. The intention is to leave a lasting legacy and relieve some of the challenges facing these communities.

In the current year, the corporate social investment and community outreach footprint focused on improving tertiary education, health and community development.



CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

THE OUTLOOK

As Masa 2020 transformation winds down, the Corporation concedes that the journey has encountered numerous challenges. The ongoing Morupule B remediation project is expected to increase security of supply in the next three years. Going forward we acknowledge the responsibility of being a central catalyst in the development of the Botswana economy. One of the key energy sector deliverables for National Development Plan 11 is increasing self-reliance by making use of the country's own energy resources and sources. Botswana is therefore looking into increasing diversification and supports development of the economy by securing competitive, cost-reflective and sustainable electricity. As such Government has developed a 20-year Integrated Resource Plan (IRP) for the power sector which will encompass projection of future energy demand and development of a least-cost energy supply, with due consideration given to the demographic dynamics and level of economic activity. As the nation's strategic power utility with reach and which is fully resourced in terms of transmission and distribution capabilities, the Corporation is expected to play its role in ensuring that the Integrated Resource Plan objectives are achieved through optimizing the value created by Independent Power Producers.

GRATITUDE

I would like to thank BPC's Board of Directors for their invaluable and visionary support. Special gratitude goes to the immediate past acting CEO, Mr Cross Kgosidiile, for his professional contribution to the Corporation. I would also like to extend my thanks to the committed BPC Management team and all members of staff who ensured that despite the enormous challenges, we still made it through this past year.



Edward Rugoyi

Acting Chief Executive Officer



EXECUTIVE MANAGEMENT PROFILES

Mr. Edward Rugoyi

Acting Chief Executive Officer

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. Lerothodi Moshoeshoe

Acting Chief Finance Officer

Mr. Lerothodi Moshoeshoe joined BPC in 2013 as the Corporation's Asset and Project Accountant at the time when MBPS units were attaining commercial operation. In 2015, he was promoted to the Finance Manager responsible for management and coordination of the Corporation's Accounts Payable, Payroll and Taxes function. He was again appointed the Finance Manager responsible for Corporate Financial Planning and Control functions in 2016. He was instrumental in the making and implementation of Masa 2020 strategy due to his in-depth knowledge of the Corporation's business environment and the ever-changing energy sector.

He is credited with the formulation of financial modelling to migrate the Corporation's tariffs to economic status. He has previously worked at Finance Departments of Mascom Wireless and Moghul Group of Companies. He has a Bachelor's Degree from University of Botswana majoring in Physics and Education. He is also an Associate Member of Association of Certified Accountants (ACCA).

EXECUTIVE MANAGEMENT PROFILES (CONTINUED)



Mr. Zwilithini Witbooi General Manager Generation

Mr. Zwilithini Witbooi joined Botswana Power Corporation in November 2017. His immediate priorities were overseeing the completion of the Morupule A Power Station refurbishment project and conclusion of engineering, procurement and construction contract amendment to enable commencement of defect remediation project at Morupule B power station.

To date, Mr Witbooi and his team have successfully refurbished and commissioned Morupule A Power Station for commercial operation which is a significant milestone for both Botswana Power Corporation and the Government of Botswana. This demonstrates capacity in execution of mega projects in the energy sector at a time when significant investments are still required.

He led the contract negotiations for amendment of engineering, procurement and construction contract which enabled commencement of the long-awaited defect remediation project at Morupule B Power Station, a project pivotal in ensuring security of electricity supply in the country.

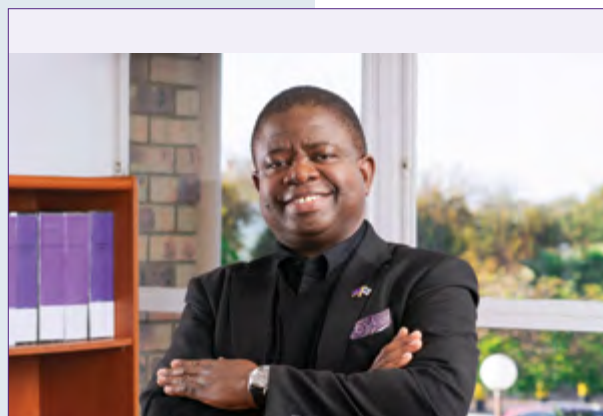
He also oversees the development of renewable energy projects. During this reporting period, two (2) of the twelve (12) small scale grid tied solar photovoltaic project were awarded following a public tendering process.

He holds a BSc in Electrical Engineering - Heavy Current from the University of the Witwatersrand and a Senior Management Course Certificate from Henley Business School. Mr. Witbooi is a registered professional engineer with ERB.

Mr. Letlhogonolo Maemo Bantsi General Manager Human Resources

Mr. Letlhogonolo Maemo Bantsi joined the Corporation on 01 August 2019. He brings an illustrious career in Human Resources Management which started at the Botswana Mine Workers Union as an Education and Training Coordinator from where he moved on to join Air Botswana in 1996 as an Industrial Relations Officer and later in 1999 progressed to Employee Relations Manager. At Air Botswana he steadily progressed up to the Acting Human Resources Manager 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) as well as a Board Member of the Sea Rail (Namibia) a BR Subsidiary.



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 RIPCO 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

Acting General Manager Transmission and Distribution

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.

EXECUTIVE MANAGEMENT PROFILES (CONTINUED)



Ms. Dineo Seleke

Manager Marketing and Communications

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, Ms. Seleke 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. Ms. Seleke 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.

She has a Bachelor of Arts in Media Communications and Culture majoring in Public Relations and Corporate Communications.

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.



EXECUTIVE MANAGEMENT PROFILES (CONTINUED)



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.

Ms. Mpho Modiro-Marata Acting General Corporate Counsel

Ms Mpho Modiro- Marata joined the Corporation in December 2017 as Senior Legal Advisor. She brings with her a wealth of valuable experience gained from working in diverse environments to ensure delivery of legal services and resources to accomplish corporate goals, strategies and priorities.

She holds Bachelor of Laws (LLB) and a Master of Laws (LLM) from the University of Fort-Hare, having specialised in International Trade Law. She has had numerous opportunities of training across various legal disciplines and holds a Diploma and Professional Certificates in the fields of trade policy, commercial law, contractual law, public procurement, leadership and management development programmes as well as in quality and performance management systems.





BOTSWANA POWER CORPORATION

BPC WORK JOURNEY

AS BPC HAS GROWN, ITS PEOPLE
HAVE DEVELOPED ALONG WITH IT.

Kabo Bakae

I started working for BPC 18 years ago on the 23rd of January 2002 as a labourer at the Ash Plant with limited experience. In 2006 I was transferred to the Water Treatment Plant as a General Duty Assistant, later that year I was sent for training at Morupule Power Station Training School where I further developed my skills in Plant Operations.

In 2010, I became Plant Operator at Water Treatment Plant which is the position I still hold to this day. In my years at BPC I have learned that patience and hard work pays. Setswana sa re “khutsanyana e sa sweng e letile monono”.



PERFORMANCE REVIEW

Ensuring we deliver a calibre of performance that exceeds what is expected of us by our stakeholders is key.

Generation Department	38
Transmission and Distribution Department	42
Finance Department	46
Human Resources Department	50
Strategy & Transformation Department	54
Marketing & Communication Department	56
Safety, Health, Environment & Risk Department	60
Internal Audit Department	64
Operations Department	65
Corporate Secretariat Department	68

Load Shedding

0% load shedding for over

3 Years

Citizen Economic Empowerment

100%

Use of only citizen owned contractors for Rural Electrification Projects

Head Count

1870



BOTSWANA POWER CORPORATION



GENERATION DEPARTMENT

The Generation Department operates the Corporation's electricity generation facilities and primarily supplies 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 outlook. These responsibilities are extended 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 (4) main sections which are:

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



GENERATION DEPARTMENT (CONTINUED)

MORUPULE A

Morupule A Power Station (MAPS) resumed operations in May 2019. The completion of refurbishment and commissioning for all the four(4) units was achieved at various dates within the 2020 financial year. The last being Unit 2 that was taken over by BPC from the Contractor, Doosan Heavy Industries and Construction (DHIC) in February 2020. All the four (4) units are in commercial operation with a guaranteed gross generation output of 132MW. The year to date energy delivered is at 446 364.98MWh against a forecast of 594 026.60MWh and this is attributable to the power generated between August 2019 to 31 March 2020 for the commercial units.

The commercial operation of the plant is expected to augment the internal power supply to reduce the dependence on power imports which are becoming increasingly expensive owing to the growing power shortage in the region. MAPS energy availability is targeted at 70% in the year 2021.

MORUPULE B

Morupule B Power Plant (MBPS) has an installed capacity of 600 MW (4 X 150 MW). The contract for the Engineering, Procurement and Construction (EPC) of MBPS project was signed with China National Electric Equipment Company (CNEEC) in November 2008 to provide security of power supply as 80% of the country's power requirements were met by imports.

The upsurge in new mining license applications also pointed to a growth in energy demand in the mining sector. Construction of the plant commenced in 2010 and its commercial operation status was fully attained in 2014. However, the poor performance of the plant resulted in continued dependence on power imports to meet the local energy demand.

The plant's low availability in subsequent years led to a root cause analysis that pointed to significant construction and equipment defects. Subsequently, the Corporation signed a Defects Remediation Agreement with the contractor to remedy the defects.

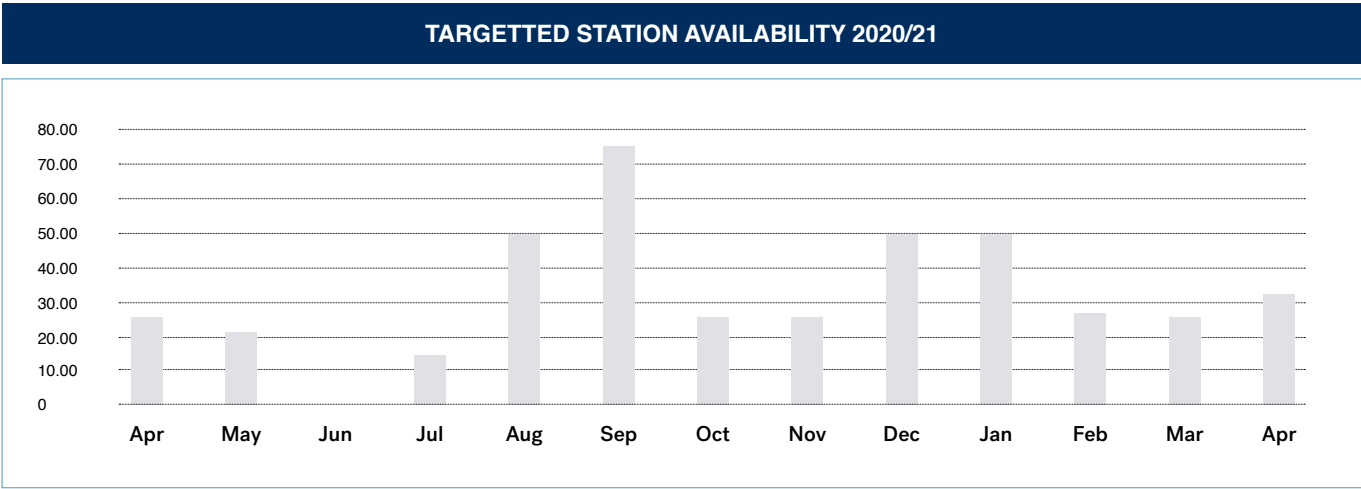
Site implementation of the Morupule B remedial works commenced in June 2019 and was planned for completion in January 2023, to cover all four units. The time schedule for completion of the remedial works has been impacted by the corona virus outbreak. Evaluation of the impact is yet to be done. Implementation of the remedial works on the first unit was planned to be completed in September 2020 had it not been for the corona virus outbreak. However, by time outbreak happened all the manufacturing of equipment had been finished and the last shipment on the sea. The next stage to be undertaken on the first unit, after normalisation following the corona virus outbreak, is commissioning.

MBPS plant availability has dropped significantly from around 71% from the end of 2019 financial year to around 31% at the end of the 2020.

The plant has reached a stage where its availability is consistently low owing to the defects. In addition, during the remediation work, MBPS will have a reduced capacity of three units (450 MW). It is expected that, in 2021, MBPS average availability rate will be 32.4%.



GENERATION DEPARTMENT (CONTINUED)



The Corporation has two (2) diesel operating stations, namely Orapa (90MW) and Matshelagabedi (70MW). These were commissioned in 2010 and 2011 respectively. Both are used as emergency power stations. These plants will mitigate the possible risk of supply shortfall during MBPS remedial works period. From the Supply - Demand Outlook, it is evident that there is need to secure firm imports from the utilities in the region to ensure security of supply over the next four to five years as the Corporation undertakes Morupule B remedial works.

Finally, the Solar Project section was set up to facilitate the participation of Independent Power Producers (IPP's) in the country's renewable energy space. The 100 MW (2X50 MW) grid connected Photo Voltaic (PV) Solar Power Plant is planned for construction. The project is anticipated to be concluded in August 2022.

100 MW (2 x 50 MW) Solar Project timelines

MILESTONE	INDICATIVE DATE
Release of RFP	4 February 2020
Bidder's Conference	6 July 2020
Deadline to submit Proposals	16 October 2020
Notification of Shortlisted Bidder(s)	18 December 2020
Selection of Successful Bidder(s)	April 2021
Anticipated Commercial Operation Dates	Maximum 12 months after Financial close

GENERATION DEPARTMENT (CONTINUED)

12 GRID TIED SOLAR PHOTO VOLTIC PROJECTS PROGRESS UPDATE

On the 26th November 2018, Botswana Power Corporation (BPC) invited proposals from bidders to tender for the development, financing, construction, operation and maintenance of 12 solar photovoltaic power projects ranging from a capacity of 1 to 4 MW under the Accelerated Green Energy Initiative.

During this financial year, BPC has managed to award two(2) tenders for the development of a 1MW Solar plant at Shakawe and 3MW Solar Plant at Bobonong. Both projects are designed to drive the citizen economic empowerment which will be achieved by the IPP (Independent Power Producer) subcontracting 40% of the project cost to citizen owned companies.

To continue in 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 is currently floating and runs from the 18th February 2020 to 22nd May 2020.

2 X 50 MW SOLAR PHOTOVOLTAIC PROJECT PROGRESS UPDATE

BPC has also concluded pre-qualification of bidders for the final procurement stage of the 2 X 50 MW Solar Photovoltaic Power Plants to be developed in Jwaneng and Selibe Phikwe. The Request For Proposal was issued to prequalified bidders during the month of February 2020. The selection and award of the tender is expected to be concluded before first quarter of the next calendar year following which the design, procurement, construction and commissioning of the plants is estimated to take less than twelve months after financial close.

These projects are a way to improve energy security as well as increase the share of renewable power supply sources in the energy supply mix in Botswana.

The Corporation's Renewable Energy Targets

SOURCE	TARGET
National Policy on Renewable Energy	15% renewable energy contribution to the energy mix by March 2021
Vision 2036	30% renewable energy contribution to the energy mix by March 2021

TRANSMISSION AND DISTRIBUTION DEPARTMENT

The principal purpose of the Transmission and Distribution Department is to oversee the transmission and distribution network assets to reliably transmit and distribute electricity to consumers.

The Transmission and Distribution Department gets bulk supply of electricity from the Generation Department as well as from long-term bi-lateral contracts from Southern African Power Pool (SAPP) Energy Market to meet the shortfall mostly during peak hours. Villages that are not connected to BPC's transmission grid along the border are supplied through cross border connections from neighbouring countries. The Department transmits electricity using its high voltage network and steps it down to low voltage network before it distributes it to its consumers.

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

Network Maintenance's mandate is to ensure, optimal utilisation and availability of Transmission Network Infrastructure through safe and cost-effective maintenance execution.

Each year the corporation draws an annual maintenance plan for its assets and endeavors to achieve at least 70% completion rate. During the financial year 2020 the corporation implemented 61.62% of planned maintenance.

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

i. 66kV to 400kV Line Servitude Maintenance

Item	Description	Number of Lines Budgeted for	Number of Lines Completed	Completion (%)
1	Bush clearing on BPC 66kV to 440kV Line Servitudes	27	27	100 %

BWP 5 300 605.60 was spent on line servitude maintenance (bush clearing) in the 2020 financial year.

- ii. Refurbishment of Maun 11kV switchboard at BWP 6 758 158.18
- iii. Government Enclave substation GIS system modernisation, BWP 10 000 000

CUSTOMER SERVICES

Customer Services is divided into three sections, namely: South, Central and North. It primarily deals with customer connections and distribution network infrastructure maintenance to ensure it is done efficiently and safely. This section also monitors system losses that relate to power that is lost during transmission and distribution due to inherent resistance (technical) of the system and revenue leakages (non-technical). The most common forms of non-technical losses are due to energy theft that includes bypassing of the meters.

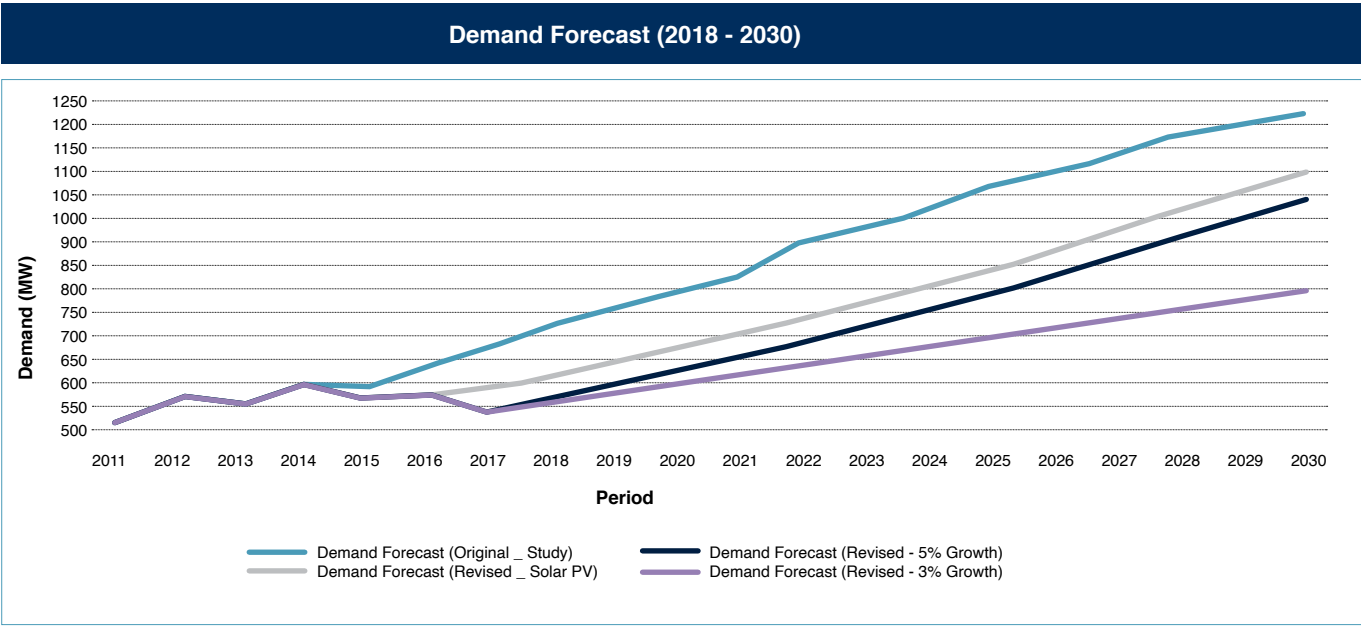
The Corporation is expecting a reduction in distribution high voltage faults from an average 222 per month to 198 per month. Distribution low voltage faults are expected to reduce from an average of 4,195 per month to 3,192 per month.

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 end of March 2021. The distribution network rehabilitation project will be undertaken by citizen-owned contractors and consultants who are pre-qualified by BPC under its distribution contractors programme.

NETWORK PLANNING AND DEVELOPMENT

The role of this section is to plan and implement network developments. It is also responsible for implementing Government funded transmission and distribution projects. It forecasts electricity demand outlook which is instrumental in determining both transmission and distribution network requirements. The Corporation will be conducting a detailed Electricity Demand Forecast Study in the year 2021 to inform long-term power infrastructure (generation, transmission and distribution) investment requirements.

TRANSMISSION AND DISTRIBUTION DEPARTMENT (CONTINUED)



The section advanced the implementation of major projects during the year under review and was also able to fully complete a number of Distribution Capital and Rural Electrification projects. A summary of projects status is as given below:

North West Transmission Grid Connection Project (NWTGC)
NWTGC Phase 1 project commenced on the 04th of December 2017 and was scheduled to complete in December 2019. The project experienced some delays which resulted with the extension of the completion date to end of December 2020.

Overall project progress as at March 2020 was at 86% against original baselined target of 100%. The actual expenditure for Phase 1 as at March 2020 was BWP1.820 Million against the budget of BWP 2,355 Million which is about 77% of the budget.

Distribution Network Development
A number of Distribution Capital projects got underway during the year under review to address various system requirements such as network reinforcement, refurbishment and load growth. A budget of P193 million was allocated to execute projects constituting Phase 2 of Distribution Capital projects. Insignificant progress of 32% was realized due poor availability of material which was compounded by the Covid 19 pandemic. Phase 3 has been planned for implementation during the 2021 financial year at a budget of P141Million.

Rural Electrification Programme
The electrification of 116 villages which got underway in October 2018, attained overall progress of 86% at the end of financial year 2020. 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.

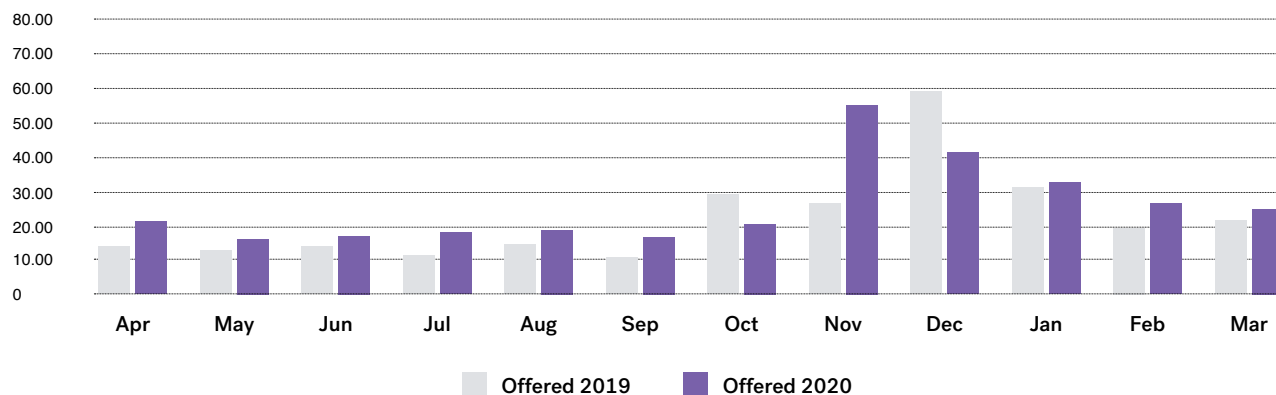
TECHNICAL SERVICES
Technical Services, mandate is to ensure safe, optimal utilisation and availability of Transmission and Distribution Network Infrastructure through cost effective maintenance of the Supervisory Control and Data Acquisition system (SCADA), Geographic Information System (GIS), Metering and Telecommunications systems.

The section is running a project to update the BPC SCADA System, in order to enable remote control and monitoring of the distribution network. This will greatly assist in resolving of distribution faults timeously. The new SCADA system is expected to be commissioned in the early 2021.

CALL CENTRE
Call Centre manages and directs BPC Contact Centre operations. It encompasses receiving and resolving customer queries. The Call Centre noted an 18% increase in calls received in the financial year 2020 compared to 2019. This was due to increase in contact centre staff, the introduction of toll-free service to customers across all networks and the USSD self-service channel.

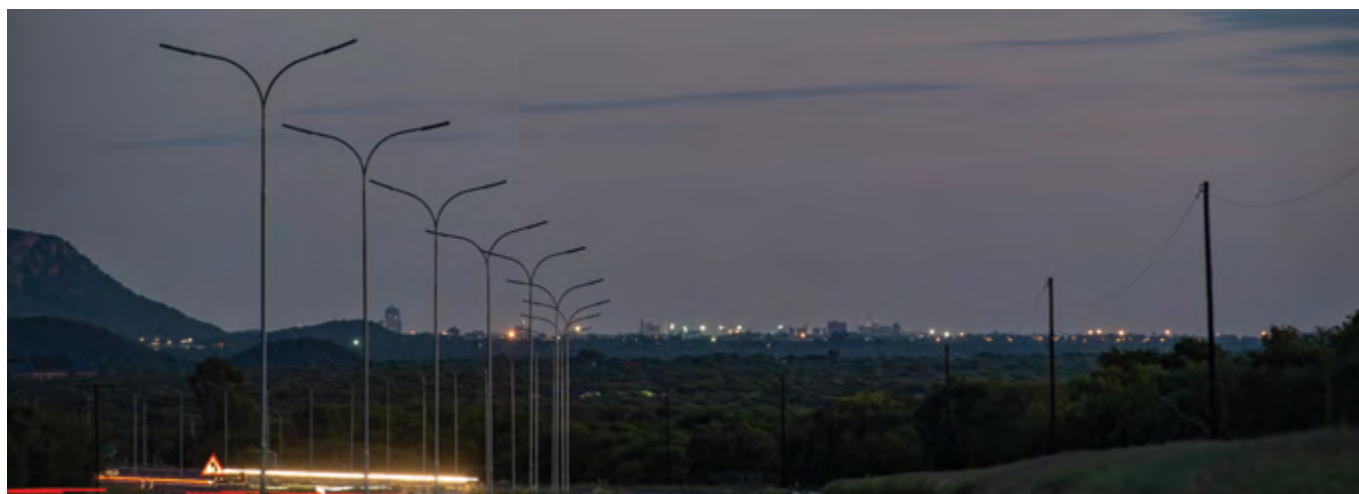
TRANSMISSION AND DISTRIBUTION DEPARTMENT (CONTINUED)

INTERACTIONS OFFERED BY MONTH (2 YEARS)



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

INITIATIVE	DESCRIPTION	DUE DATE
Integrated Contact Centre Management System	To provide a more interactive platform where customers are serviced across multiple and integrated digital channels.	April 2020
Field Service Management System	To provide seamless feedback to customers on progress of reports and services requested from BPC for bes: customer experience.	April 2020
Revamp of the Contact Centre Premises	Provide a conducive environment for Contact Centre staff.	April 2020
Customer Service Charter	Commit our service delivery turnaround times to our customers.	May 2020



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:

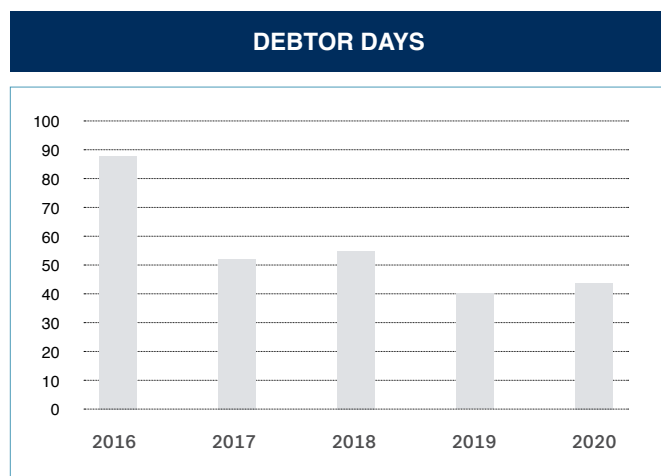
- Revenue Management and Credit Control
- Financial Accounting and Treasury
- Financial Planning and Control
- Accounts Payables and Taxes
- Projects
- Information and Communication Technology Services
- Supply Chain Management

FINANCE DEPARTMENT (CONTINUED)

REVENUE MANAGEMENT AND CREDIT CONTROL

This section optimises revenue collection, manages and maintains customer accounts. In managing revenue, the section also undertakes revenue protection initiatives. The customer base is categorised into Domestic, Mining, Commercial and Government.

The Masa 2020 strategy aims to improve the liquidity of the Corporation to fund the increase in assets and to meet financial obligations as they fall due. In that regard, effective measures were put in place which included dedication of credit control resources to customers with similar risk profiles. Financial loss from defaults were limited by obtaining enough collateral, continuously monitoring the debtors and doing 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 45 to less than 40 days in 2021.



FINANCIAL ACCOUNTING AND TREASURY

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

One of the major risks facing Botswana Power Corporation is the inability to access alternative source 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 Baa2 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.

In order to improve efficiency, in the upcoming year the section plans to automate several treasury processes to integrate market and banking information into the Corporation seamlessly. The Corporation is also looking to explore balance sheet restructuring in order to optimise financial performance. This activity is planned to kick start in 2021.

FINANCIAL PLANNING AND CONTROL

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

The Corporation's budgeting process is premised on a highly interactive Zero-Based Budgeting process. The Operating Expenditure budget as well as the Capital Expenditure Budget are originated by the line Departments, who are vested with the responsibility to initiate activities for the planned period. This section is accorded the responsibility for consolidation and moderation of the budgets. Ultimately, the Chief Executive Officer and the Executive Committee ensure that the budget is reflective of the Corporation's strategy and is also within the capability of the Corporation to resource it. Once assured that the budget is reflective of the priorities for the year and is reflective of the ambitious targets to be achieved during the year; it is submitted to the Board Finance and Investment Committee for further examination and recommendation to the Board for approval. Upon approval by the Board, budget implementation guidelines are issued to all Departments.

ACCOUNTS PAYABLES AND TAXES

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

FINANCE DEPARTMENT (CONTINUED)

PROJECTS

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

Another function is project management of Consumer Financed Projects and processing of the claims for electricity connection shortfall under the National Electrification Standard Cost (NESC) scheme. The amount claimable by the Corporation from the National Electrification Fund (NEF) is the difference between the standard charge of P5,000.00 borne by the customer and the actual cost incurred by the Corporation in connecting the customers. This Fund was established from P0.05 (5 thebe) levied to customers for every kWh billed. In turn, the Corporation collects the levy and credits it to the NEF.

FINANCIAL YEAR	NUMBER OF NESC BENEFICIARIES
2016	21,941
2017	24,570
2018	19,554
2019	11,759
2020	18,595

INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

This section offers ICT services to optimise the performance of the Corporation. It procures and supports corporation-wide systems across all other Departments. The following projects are currently ongoing.

1. 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 2021.

2. 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 lifecycle.

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.

The implementation of the revised tender regulations is planned for the coming year. The rationale for the revision of the tender regulations are:

- Alignment with the currently applicable legislation and prescripts including Botswana Power Corporation's Act, Botswana Energy Regulatory Authority Act and Public Procurement and Asset Disposal Board Act.
- Alignment with the BPC transformation strategy, Masa 2020, and revised organisational structure.
- Alignment to Government policy initiatives 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.
- To improve operational efficiencies, accountability and enhance the procurement processes of the Corporation.

BPC WORK JOURNEY

AS BPC HAS GROWN, ITS PEOPLE
HAVE DEVELOPED ALONG WITH IT.

Tebogo Boikaego

I have been with Botswana Power Corporation for the past 20 years. I joined the Corporation on the 1st May 2000 as an electrical apprentice. I completed the apprenticeship in 2004 and was appointed to the position of Maintenance Artisan in 2006 at Morupule A Power Station.

I was in 2013 deployed to Morupule B Power Plant as a preparation for the Power Plant to be handed over from CNECC. I was then in the year 2014 transferred back to Morupule A as Electrical Foreman. In 2018, there was a restructuring exercise undertaken by the Corporation and unfortunately that took me to an Electrical artisan position, the position I still hold to date due to my education level.

In my field, technology is so advanced currently and I am glad the Corporation brings in youngsters to be able to deal with the new world in generation and transmitting of electricity to Botswana.



HUMAN RESOURCES DEPARTMENT

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

THE DEPARTMENT IS MADE UP OF THE FOLLOWING SECTIONS:

1

Learning and Development: The Section exists primarily to develop human capital for the Corporation. The Section is responsible for driving capacity development agenda for the Corporation by ensuring that employees have necessary skills and competencies required for their roles in pursuance of the strategic agenda of the Corporation.

2

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.

3

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.

4

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.

5

Employee Health Wellness: This section exists to address employee health needs with a focus on Physical Wellness; Emotional Wellness; Social Wellness and Financial Wellness. These four areas are the cornerstones of the Corporation's employee health programme that includes a focus on chronic Ill health management and issues of stress management; and occupational health which is inclusive of medical health surveillance screening as well as pre- and post-employment medical examinations.





HUMAN RESOURCES DEPARTMENT (CONTINUED)

STAFFING

To sustain the Transformation Strategy and high performance culture, Human Resources continues to recruit and retain skilled employees and competent employees. As at 31st March 2020 the overall recruitment stood at 86%. The objective is to maintain a low turnover rate through the enactment of a forceful employee engagement strategy to sustain the transformation agenda.

Below is a graphical representation of the Corporation’s head count as at 31st March 2020;

DEPARTMENT	ESTABLISHMENT	HEADCOUNT
CEO	2	2
COO	2	1
Generation	801	668
Transmission and Distribution	901	842
Service Delivery	50	41
Supply Chain	39	34
Security Operations	12	9
Knowledge Management	17	17
Strategy and Transformation	12	5
Finance	242	171
Human Resources	49	36
Internal Audit	8	8
SHER	30	26
Marketing and Communications	7	6
Corporate Secretariat	5	4
Grand Total	2177	1870

EMPLOYEE AND HEALTH WELLNESS

The Corporation subscribes to employee work life balance and as such is committed to promoting health and wellness programmes as evidenced by successions of wellness programmes spread during the year such as the annual wellness day, annual marathons and commemoration of the World AIDS Day. This is inclusive of the provision of primary health care and occupational services at the two Power stations clinics. The goal of Wellness services to staff is to improve their health status and morale which lead to productivity in the workplace and thereby improving the general results of the corporation in terms of bringing electricity to the nation. Wellness department is entrusted to provide a range of staff morale improvement through a range of curative, psychosocial, spiritual, physical and economic services. To date the Wellness Section has realised the following achievements:

- Psychosocial support provision to staff through internal support and outsourcing. There has also been an increase in the number of staff who seek Employee Assistance Program (counselling) due to sensitisation by Wellness staff for employees to access this service. Issues range from stress due to restructuring, divorce, finances, Injury on duty, relationship issues, burnout, poor health status and post traumatic disorders.
- Sensitisation of staff on Wellness Health Program services where health awareness educational messages and these activities are: World AIDS day, Wellness days in Maun and Jwaneng, Breast Cancer Day, month of prayer against HIV.

Since independence, rural electrification rate has grown from zero to

88%

HUMAN RESOURCES DEPARTMENT (CONTINUED)

HIV/AIDS Interventions

The Corporation has continued to provide male condoms to employees sourced from Central Medical Stores through BBICA at no cost to the corporation. A total of 105 000 condoms issued corporate in a bid to mitigate HIV and STI's amongst employees and the community.

Peer Educator Training and other Educational Interventions

A total of 78 Peer educators have been trained on Level one of Health and Wellness module. The year has seen, a total of 25 motivational talks and 60 health talks have been held on various health topics affecting employee health through internal Wellness staff and partnerships with Ministry of Health and Wellness facilities, NGOs and Development partners. These topics ranged from burnout, self-actualisation, HIV and AIDS, non-communicable diseases, healthy eating habits, Gender and Gender based Violence. BPC has partnered with National Blood Transfusion Centre for BPC staff to donate blood nationally.

Medical surveillance and Pre-and Post-Employment Medical examinations.

The Corporation conducted medical surveillance at Morupule power plants where 481 employees were assessed and a further 425 were assessed in the BPC Central and North. A total of 506 newly recruited and 135 exited employees were subjected to a medical examination to assess their fitness levels and to manage the corporation's liability and to instantly respond to the debilitating conditions that may be noted.

Assessing and counselling of staff for ill health and working with contracted insurance service providers so that they are included as PHI.

Clinic Operations

The clinic services at Morupule Power stations are premised to avail primary health care and occupational health services where a total of 1964 consultations were made with 184 of them ending up as referrals to specialised care and management.

COVID-19 Corporate Response

Towards the end of 2020 the global 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) which included recruitment of temporary personnel being a medical Doctor, 2 paramedics and an ambulance to relief and 2 temporary nurses at Morupule Clinics.

COLLABORATION AND STRATEGIC PARTNERSHIPS

The Corporation has entered into a collaboration with the University of Botswana with the primary objective of orientating the University's curriculum and research activities towards the needs of the energy industry. The Collaboration and strategic partnership between the University of Botswana and Botswana Power Corporation is critical for knowledge and skills enhancement, innovation and technology transfer as well as orientating the curriculum and research activities of the University to meet the needs of the Energy Industry. The Memorandum of Understanding between BPC and UB entails among other elements, the following:

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

DEVELOPMENT AND CAREERS

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

For the performance year under report, the Corporation had a total of 42 graduate trainees at Transmission, SHER and Generation departments at various stages of the training programme.

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. To date, there are 90 interns working throughout the Corporation.

STRATEGY & TRANSFORMATION DEPARTMENT

The mandate of the Strategy & Transformation Department is to facilitate the achievement of the Corporation's strategic objectives and to drive the transformation agenda.

The office coordinates the development and approval of the Corporate Strategy by the Executive Management and BPC Board of Directors. It is responsible for ensuring alignment with shareholder expectations and facilitating the cascading of the strategy within the Corporation as well to monitor performance towards achieving the desired outcomes of the strategy.

The Strategy and Transformation department has two sections:

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

Change Management; that ensures change is delivered seamlessly (using PROSCI methodology) and our people are appropriately developed and resourced to perform at the highest level.

During the year, the department undertook the following:

- Piloted the Decentralisation of Simple Connections in Molepolole, Palapye & Maun work centres. Once the project is rolled out, it is expected to reduce costs and turnaround times of connections from 79 days to 49 days achieved by the pilot.
- A Paperless Project, which entailed development of a paperless shared point to eliminate physical movement of files, speed up customer connections and reduce costs. It has shortened the customer connections period by two (2) weeks.

The Department intends to undertake the following activities in the coming financial year:

1. Create a platform to spur employee-driven innovation and leverage the immense intellectual capacity within the Corporation as well as improve engagement levels.
2. Roll out the Decentralisation of Simple Connections to the rest of the work centre and improve customer service through enhancement of procurement processes for sourcing materials required for customer connections.
3. Drive a Lean Culture through the deployment of Visual Management Boards for performance tracking and enhancing team collaborations.

These activities are envisaged to innovate new ways of serving customers, enhancing the reliability of infrastructure and increasing shareholder value.

MARKETING & COMMUNICATION DEPARTMENT

The Botswana Power Corporation story is a rich one grounded in the generation, transmission and distribution of electricity within Botswana. The Corporation's success stories result from able departments amongst them being the Marketing and Communication Department.

The department is relatively small in terms of its staff establishment, with a huge mandate in conducting activities between the Corporation and its targeted audience. 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, i.e. Social Media, Radio, Print Media, Television, Videos, Web, Events and Exhibitions.

During the year the department prioritised its activities through Integrated Marketing and Communication elements in enhancing brand awareness and telling the BPC's story.

Highlights of the year include:

SPONSORSHIP

i. BPC Otse Kanye Cycle Challenge

The year 2020 marked the end of the partnership between Botswana Power Corporation and Tsela Cycling Club where the Corporation was the official sponsor for the BPC Otse Kanye Annual Cycle Challenge. In this three-year sponsorship programme youth cycling talents were revealed and nurtured by both entities. BPC brand grew to higher heights and accepted by villagers along the cycling route and beyond. Communities along the race route also benefited from the race through the partnership's Corporate Social Responsibility initiative of donating at least P10 000.00 back to communities on yearly rotational basis.

ii. BTC Foundation Sponsored Walk

In the current year, the Corporation joined BTC Foundation in their inaugural charity walk held in Moshupa. BPC participated in the walk as part of its sponsorship initiative of taking the brand to the people as well as to unite with other entities and individuals as a just and caring nation. The Chief Walker at this inaugural event was First Lady, Mrs. Neo Masisi.

EXHIBITIONS AND ACTIVATIONS

Botswana Power Corporation through the Marketing and Communications Department created an interactive forum for its customers by actively participating at major national shows and exhibitions. During the year under review the Corporation participated at the Francistown based Business Botswana Exhibition show, Ghanzi Agricultural Show and Gaborone held Botswana Consumer Fair.

During the year under review, the Corporation also held mall activations at Tsabong, Kasane, Selibe Phikwe, Ramotswa and Lobatse. The main purpose of these activations was to educate customers about the Corporation's product and services as well as to interact and get feedback from them.

CORPORATE SOCIAL RESPONSIBILITY

One of Botswana Power Corporation's values is "Valued Citizens" which its aim is to contribute to the development and sustainable growth of the communities within which we live and operate in. In its endeavor to uphold the value and make an impact in the lives of Botswana the Corporation embarked on this initiative by identifying various communities and individuals to support countrywide. Some of the success stories are;

i. Elderly Wellness day in Topisi Village

During the year under review the Corporation in collaboration with the Retired Nurses Association Palapye branch held the second annual day for the elderly citizens at Topisi Village. Beneficiaries of this noble initiative were selected by the local Village Development Committee members with the assistance of the village Kgosi. The event which was meant for the 52nd National Independence Celebrations attracted around 100 village elders. The main objective of the event is to give back to the community while promoting health and wellness amongst the elderly.

ii. Khudumelapye and Medie Villages

About 30 km North West of Letlhakeng Village lies a village called Khudumelapye in the Kweneng District. BPC donated computers and chairs to be used in the village kgotla. Similarly, the Corporation donated a printer with consumables, laptop and desktop computers to Medie village kgotla. These are to be used by the community at the kgotla and students and teachers at Medie Primary School.

The Corporation also donated electric bulbs to the first 20 customers to pay for connection in Medie and Gumare Villages. This was an incentive towards customers as well as to encourage them to use energy saving bulbs. Medie was a newly electrified village while Gumare was a network extension project both under the 115 Villages Rural Electrification Project.



MARKETING & COMMUNICATION DEPARTMENT (CONTINUED)

iii. **Solar bags**

As a continuation of the 2018 solar bag packs project, during this year, BPC in partnership with FNBB Foundation donated one thousand, nine hundred and eighteen (1 918) bags to Primary School going students in rural and remote areas. Selection of villages/schools was done with the assistance of Ministry of Local Government and Rural Development. The bags help with basic lighting for students to be able to study in the evening.

iv. **Community Service Days**

In order to increase employee involvement in Corporations Corporate Social Responsibility, BPC proposed a “community service day” for each service center. This was geared towards projecting a more attractive image in the communities in which BPC serves. Each station was given a certain amount of money and it was up to them to decide what they felt their community would benefit from. Whether it was protecting the environment, or attempting to obliterate poverty.

In the year under review there are various projects that took place in the different service centers and some are still ongoing.

Lerala

Lerala work centre identified Mmabana Day care school with students whose age is ranging from 2 to 5 years and donated educational material and food hampers. This was done in order to promote learning and development amongst young children, to provide a platform for children to enjoy school. On the same day BPC staff painted the schools playground and provided lessons on the use of electricity and sensitized the children on precautions to take when handling electrical appliances. The Lerala work centre has committed to ensuring that they will donate educational material and food hampers annually as well as conduct continuous visits to identify any needs and fill gaps where necessary.

Molepolole

The Molepolole Work Centre purchased trash cans/dustbins to be put up at the major bus stops in Kweneng area (Letlhakeng). This was intended to promote cleanliness, reduce pollution in natural habitats and to conserve natural resources through recycling. The handing over of the dustbin is to take place and will be accompanied by litter picking campaign where volunteers from BPC, Letlhakeng Council and the community will take part. Communities will be educated on the dangers of living in a dirty environment and the benefits of keeping our environment clean.

Lobatse

In collaboration with the Maru A Pula School Class of 1999 as part of the social community responsibility initiative, the Lobatse Main work centre will donate toiletry hampers to the students of Mariba Junior School and Mabule Junior School. These hampers will include sanitary pads, toothpaste, bath soap and deodorants. A total of 493 girls and 447 boys will benefit from these hampers and this will improve the overall wellbeing of students.

Hukuntsi

Hukuntsi Service Center has begun the process of constructing a Community Refuse Cage next to the bus rank, which will be used to collect litter before it is taken to the landfill. This initiative is in line with the BPC SHER policy, which states that BPC is committed to provide injury free environment to the public through the identification of safety hazards and strive for continual improvements to prevent environmental pollution. Upon completion there will be improved waste management in the area.

Werda

Hereford Primary School was chosen upon consulting Werda Village Development Committee together with the school committee in order to identify what BPC could lend a hand in. Currently Hereford Primary School is one of the few government schools with a reception class, however during graduation most students parents cannot afford to buy graduation gowns. BPC will donate gowns that will be used during graduation. The gowns shall remain the property of the school.

BPC WORK JOURNEY

AS BPC HAS GROWN, ITS PEOPLE
HAVE DEVELOPED ALONG WITH IT.

Boineelo Nfila

When I joined Botswana Power Corporation on the 1st January 1990, the human resources department was referred to as “Personnel” and was responsible for keeping records, ensuring company followed regulations and compliance with laws, and determining wages, compensation packages, and other benefits.

Over the years, the Human Resources department has advanced tremendously and I have grown along with it. In my time at BPC I have attended several courses that have helped me develop. Courses attended includes a certificate in Personnel Management, Diploma in Human Resources, Labour Relation among many others.

Currently I am a Human Resource Processing Officer. I've been working for thirty years and have experience of managing employee benefits, employee hiring and onboarding, performance management and HR records. I am a reliable and organized team member with the ability to communicate effectively and handle office changes.

As a BPC employee, I am treated with respect, given daily encouragement, I feel respected and valued for what I bring to the Organisation.



SAFETY, HEALTH, ENVIRONMENT & RISK DEPARTMENT

The cornerstone of BPC's integrated SHER Management Strategy is to proactive and promote constructive stakeholder engagement with the sole intention of raising awareness around safety, health and environmental issues.

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



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

The objectives of the SHER Department are as follows:

- To improve SHER culture among both BPC and its Contractors employees through vigorous awareness initiatives and logical methods for assembling safe working systems.
- To make certain that the corporation provides all that is necessary to create an accident free working space for all.
- Ensure that both personnel and the general public are protected from any health and safety hazards that may emanate from BPC operational activities.
- To provide guidance and raise more awareness on safe guarding the integrity of the environment by reducing environmental impacts and continually improve.
- To ascertain that the corporation maintains some compliance with all applicable legal or regulatory requirements in line with its operational activities.
- Safeguard Corporate Assets through insurance
- Enterprise Risk Management
- Fire Risk Management

ROLE OF SHER DEPARTMENT

The SHER Department plays an integral part 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 a number of 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 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 ensures that a risk register is maintained and appropriate mitigation approaches are formulated and shared with all stakeholders.

Activities done during the reporting period.

For these reporting period, financial year 2020, the SHER Department managed engage in some significant activities aimed at improving Safety, Health, Environment and Risk Management Standards.

- 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.
- 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.
- 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.



SAFETY, HEALTH, ENVIRONMENT & RISK DEPARTMENT (CONTINUED)

- Occupational Hygiene Surveys were undertaken at various BPC facilities and work fronts to proactively identify and mitigate against occupational related diseases.
- BPC has managed to 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.
- Ambient air quality monitoring is being done for Morupule A and B. The monitoring station was commissioned and calibrated in Dec 2019.
- 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.
- The Introduction, adoption and enforcement of BPC SHER Technical Specification Requirements for contractors pre-qualification.
- 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.

- Commemorative days: World Day of Safety and Health and World environment Day. Information dissemination and awareness raising
- Review of Morupule Power Stations Environmental Management Plans to incorporate appropriate disposal of mineral wool
- Continuous Risk Assessments to identify Key Risks

PLANS FOR THE 2020/21 FINANCIAL YEAR:

- Registration of plant stacks with the Department of Waste Management and Pollution Control and to also ensure that air quality monitoring is enforced at BPC's diesel powered generator plants.
- Undertaking of Environmental Management Plans for Seronga Power Plant and Orapa Power Plant.
- Achieve Zero occurrence of major environmental incidents and a decrease in our LTI's as compared to the previous year.
- Review Enterprise Risk Management Framework
- Insurance Adequacy Review
- Develop an Alternative Risk Financing Solution
- Develop and Implement Corporate Risk Appetites and Tolerance Statements
- Develop and Implement a Business Continuity Solution





BPC WORK JOURNEY

AS BPC HAS GROWN, ITS PEOPLE
HAVE DEVELOPED ALONG WITH IT.

Margaret Nkutlwang

I've been working at BPC for over 30 years having begun as a cleaner in 1990. I quickly began to climb the ladder at the Corporation, being promoted to Administrative Assistant after 5 years, then subsequently to a Knowledge and Information Officer, after attaining my qualification in Records and Archives Management through BPC's learning and development programme. BPC has maintained a public image of being an employer of choice. Just being a BPC employee has brought me a lot of respect in the public eye.

The way I have been treated throughout my tenure has increased my loyalty, I am proud to pass on any information about BPC to any member of the community that enquires about certain services about my employer.





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). To enhance effectiveness, the Internal Audit Department has a dual reporting structure to deliberately deliver independent objective assurance.

The Internal Audit function provides assurance that the governance framework, enterprise risk management framework, and compliance framework are adequate and effective to support achievement of corporate objectives.

The Department is mandated by Board approved Internal Audit Charter, which gives full unfettered mandate to carry out assurance, consultancy and special assignments.

The Internal Audit Department uses a dynamic risk-based audit methodology in developing the Internal Audit annual plan. This methodology recognises the dynamic nature of the Corporation's risk profile and responds accordingly. This adopted methodology ensures assurance plan implementation is influenced by risk assurance demand.

The scope of the Internal Audit extends to all property, personnel and activities of the Corporation. It 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 the Internal Control framework;
- Objective assurance on the adequacy and effectiveness of enterprise risk management; and
- Reliability and integrity of financial and operational information.

Due to the nature of Internal Audit, the Department maintains and adheres to very strict standards of confidentiality, professionalism and ethical conduct. The Department is manned by a multidisciplinary Team with vast experience and qualified staff who comply with very high standards.

The Department undertook the following key activities:

- A significant number of special assignments were done as a result of the whistle-blower hotline reporting. All the reports were fully investigated and closed successfully.
- A comprehensive enterprise-wide risk assessment was carried by the Department to focus the annual assurance plan to relevant assurance demand. The Department was able to follow-up and accomplish a 100% validation of the management letter action plans.
- Control Self-assessment activities were carried out during the period to inculcate a culture of control self-assurance. This was supported by Internal Audit 100% validation of the self-audit results. All Internal Audit recommendations were followed.

OPERATIONS DEPARTMENT

SECURITY SECTION

The section's principal role is to identify and mitigate against internal and external threats against the resilience and continued survival of the Corporation and consequently avert losses, protect property and human assets.

The responsibilities include among others controlling access and egress in the Corporation premises, surveillance monitoring, people security, security risk management, detection and investigation of breaches to Corporation Policies and procedures as well as raising awareness to build a security culture among staff.

The Security section comprises of two units:

- i. Operations
- ii. Intelligence and Investigations

Operations

The Operations function oversees physical security, employee security, premises security, incident investigations, and prediction of threats the unit's mandate is to minimise corporate asset loss through the application of differentiating security measures including security manned guarding, protective barriers, locks, access control protocols, close circuit television and others.

Intelligence and Investigations

The unit exists to minimise security risks exposure such as theft, fraud and vandalism and is charged with the responsibility of detection of malpractices, recovering losses, apprehending perpetrators and securing convictions through the assistance of law enforcement agencies.

Achievements

- The Corporation continues in strengthening partnerships with the local law enforcement Agencies to support its security mission. The support is through collaborative engagements, joint operations and response to incidents. The Critical Infrastructure Forum triggered a joint operation with Law enforcement Agencies in May 2019 which resulted in the arrest of two scrap dealers.

Joint Operation with Law Enforcement Agencies (May 2019)

- A number of Investigations were conducted on non-compliances to Corporation policies and procedures.
- Awareness campaigns through different platforms (Videos, Activations, Boards and Radio) were conducted in partnership with Communications and Marketing during the year to sensitize the public about the impact of theft in relation to the delivery of Power to the customer.

Activation at Lobatse (February 2020)

The challenge

The BPC continues to experience revenue leakage through malicious means through theft and/or vandalism Corporation.

Commitments

To achieve creating a positive security culture in the Corporation, a collective effort is required hence the need to raise awareness as well as establish Security Forum to embed the security culture and make it everyone's responsibility.

To continue to take leave from counterparts on best practice in security counter measures through the SAPP-CPWG platform and others.

KNOWLEDGE MANAGEMENT

The Knowledge Management (KM) section was established in 2019 as part of Masa 2020 Transformation Agenda. Prior to its establishment, the Corporation had a Records Management section whose mandate was only limited to record management. The restructuring exercise was as a result of the need to realign the functional structure to adapt to changes and embrace new innovations through introducing Knowledge Management practices to the organisation.



OPERATIONS DEPARTMENT (CONTINUED)

The section is tasked with the function to effectively manage and use knowledge and information as a value adding resource used to innovate new products and services to improve organisational performance. The management of knowledge assets in the form of both unstructured and structured information includes the establishment of a corporate memory to support appropriate decision making and enhanced service delivery to customers.

The utility industry is a highly knowledge-intensive industry. In response, the section undertook the development of a Knowledge Management Strategy and aligning its strategic goals to the national agenda which places the knowledge-based economy as one of the cogs driving the economy. The section will lead the Knowledge Management Strategy to ensure that knowledge and information management processes are integrated within all strategic business functions and the overall organisational work system to facilitate Knowledge creation and application.

KEY PERFORMANCE HIGHLIGHTS

In the year under review, the section has embarked on several initiatives to lead the technology adoption pre-Implementation readiness. The recruitment for all the key positions on the new departmental structure has been successfully completed. The section also undertook the development of a KM Strategy to develop a systematic framework of managing Knowledge and information assets which would include bringing together people, processes and technology to enable business competitiveness.

A corporate wide data cleaning project to improve information access and quick retrieval was started in December 2019 and is anticipated to be completed by March 2021. The project will assist to manage the vast quantity of growing corporate information and records through transfer to a suitable storage facility. Currently the data cleaning has covered Gaborone Customer Service Center, Mochudi, Kanye, Molepolole and Lobatse, it will continue to be rolled to the rest of BPC outstations.

In order to provide knowledge and information services that enable access to customer information to aid service delivery, the section has developed an Information Governance Policy to regulate the handling and management of information within the Corporation to comply with provisions of the data protection legislation which regulates the handling of personal information. That KM section has also developed policies to provide guidance towards a holistic approach to managing corporate information securely by implementing processes, controls and metrics that are key to good corporate governance.

Service Delivery Section

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

- Fleet Services;
- Property Services; and
- Office Services.

Fleet Services

It is responsible for a total fleet portfolio of 573 vehicles across all BPC centres in the country. The portfolio comprises fully owned fleet ranging from Sedans, pickups, light trucks, buses, heavy duty trucks and mobile plant equipment. The portfolio comprises of fleet acquisition, maintenance and management to ensure that the Corporation delivers on its mandate.

Property Services

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

Office Services

It is mandated with the upkeep of the offices, furniture and corporation. Provision of other cleaning services is outsourced to external service providers.

Service Delivery key activities and achievements during the year were as follows:

- Initiated the development of a strategy on the Corporation's property. The strategy will assist the Corporation to optimise the use of its assets. The strategy has been completed and submitted to Board for approval in the coming year.
- Full implementation of the Fleet Management system to effect 1st of July 2020 for the 3 years.
- Service delivery Section is planning to do the following:
- Refurbishment of the National Control Centre and the Call Centre offices to be completed by end of July 2020. This is expected to improve monitoring of the network and customer access respectively.
- Open new satellite service centres across the country to improve access to services through the provision of revenue and network maintenance services.



CORPORATE SECRETARIAT DEPARTMENT

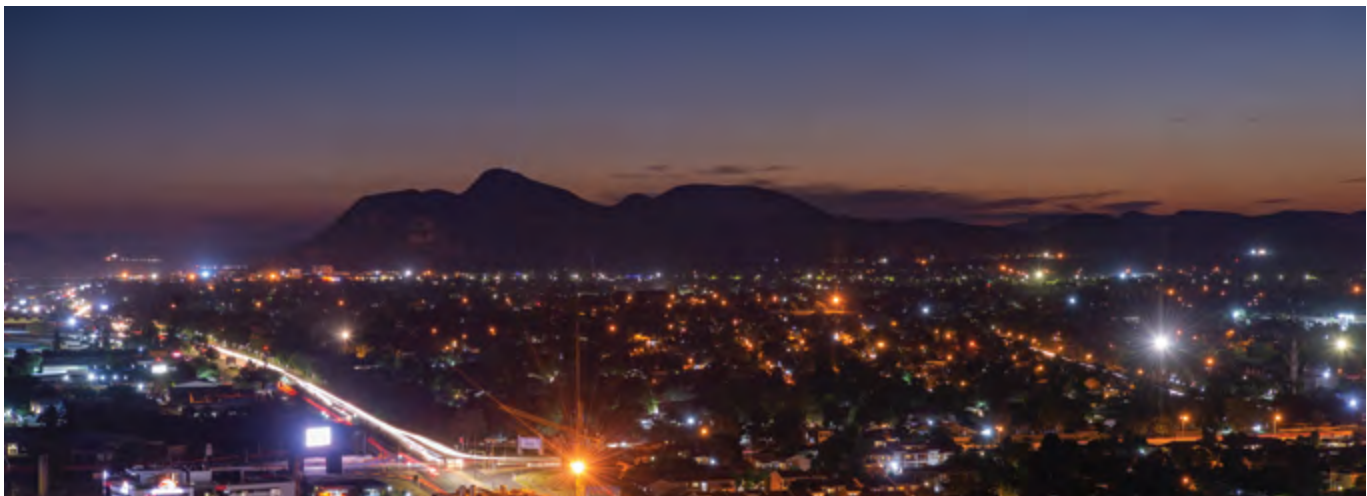
The mandate of the Corporate Secretariat Department is to manage the administrative aspect of the Board of Directors, provide legal advisory services to the Corporation, ensure adherence to prudent corporate governance and ensure regulatory compliance to Laws establishing the Corporation in Botswana.

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.

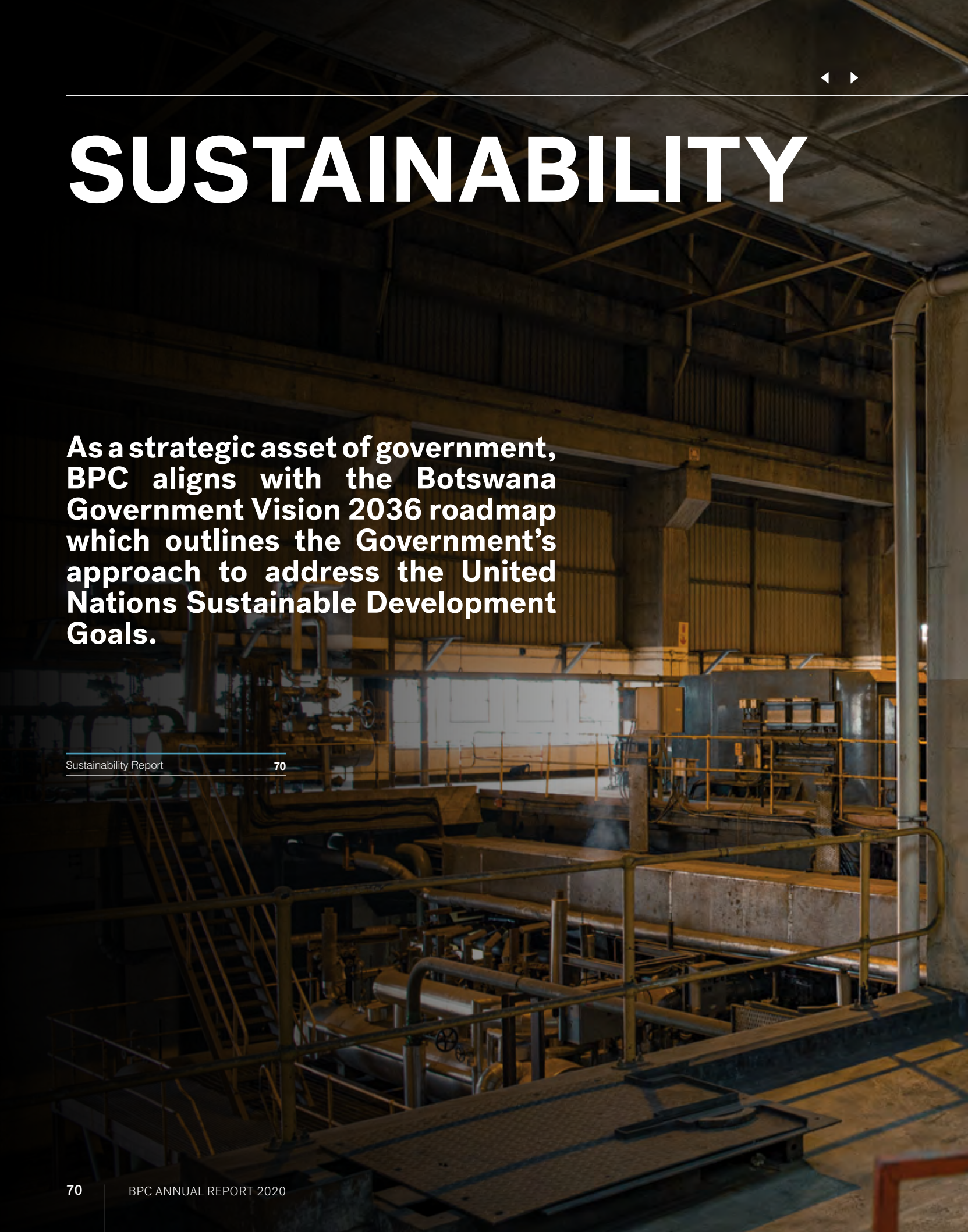
Following the establishment of a Regulatory Compliance Unit to manage the energy sector regulatory environment, a Regulatory Compliance Policy was formulated to provide a uniform practical approach to ensure compliance with all laws, regulations, industry and internal codes of conduct which may impact on the day to day activities of the Corporation. In addition, Service Level Agreements were concluded with private law firms to harness their expertise in legal matters affecting the Corporation. There is a panel made up of fifteen (15) private law firms that are allocated work as and when it becomes necessary.

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 Department plans to add more value to the Corporation in the coming year by liaising with Internal Audit Department to engage in an organisational wide compliance audit. The said audit, which has been carried over from the previous financial year, is 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 Board Charter, which is before the Board for consideration and approval, has been reviewed to enhance corporate governance in recognition of it being a living document that requires constant review to ensure compliance with current business and governance codes. The Department intends to review the terms of reference of other Board Committees once the revised Board Charter has been approved.





A large industrial facility, possibly a power plant or refinery, with complex piping, metal structures, and a high ceiling. The lighting is dim, with some areas illuminated by overhead lights.

SUSTAINABILITY

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.



BOTSWANA POWER CORPORATION



SUSTAINABILITY REPORT

INTRODUCTION

Over the past 50 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 implications for decades, it is vital that 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. The Corporation’s current strategy, Masa 2020, seeks to adopt a new energy mix and efficient use of natural resources.

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

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

BOTSWANA POWER CORPORATION SUPPORTS SUSTAINABLE DEVELOPMENT GOALS

3

GOOD HEALTH AND WELL-BEING



4

QUALITY EDUCATION



5

GENDER EQUALITY



7

AFFORDABLE AND CLEAN ENERGY



8

DECENT WORK AND ECONOMIC GROWTH



12

RESPONSIBLE CONSUMPTION AND PRODUCTION



WE ARE COMMITTED TO ZERO HARM

SUSTAINABILITY REPORT (CONTINUED)

SDG 3 - GOOD HEALTH AND WELLBEING

In line with the SDG goal 3 realisation 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 service providers. A healthy employee is a productive one, and the Corporation has a fully-functional Wellness department that facilitates employee health and wellness sensitisation programmes throughout the organisation. 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 Aid Policy

The Corporation's Occupational Health and Wellness programmes are aimed at the management of both communicable and non-communicable diseases. A total of 48 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. This included providing guidance and ensuring adherence to COVID 19 Protocols. Over 1,400 employees were reached via bulk SMS with at least five types of messages shared with each employee. The Corporation has two clinics, one at each of the two power stations. There was 96% medical surveillance adherence with the Generation Department with BPC north region achieving 94%.

The Generation Department's Health Index Status was:

- Obesity – 51%
- Noise Induced Hearing Loss (NIHL) – 0.4%
- High blood pressure – 5%

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 has established COVID-19 response plan structures with the objective of mitigating the spread of coronavirus.

This includes procuring the services of a medical doctor for a period of six months and engaging two occupational health nurses on a temporary basis of six months to alleviate pressure on the already-stretched services at the two Generation clinics. The Corporation is also continually procuring Personal Protective Equipment for its employees. Efforts to continue fighting the pandemic will continue into the 2020/21 financial year.

Employee Assist Programme

Employees presenting with emotional, physical and spiritual distress are supported by internal Corporation resources wherever possible, with referrals made to private practitioners for further counselling when necessary. More than 210 staff members have been supported with counselling services for such issues as grief, debt, injury on duty, trauma, family disputes, occupational distress and depression.

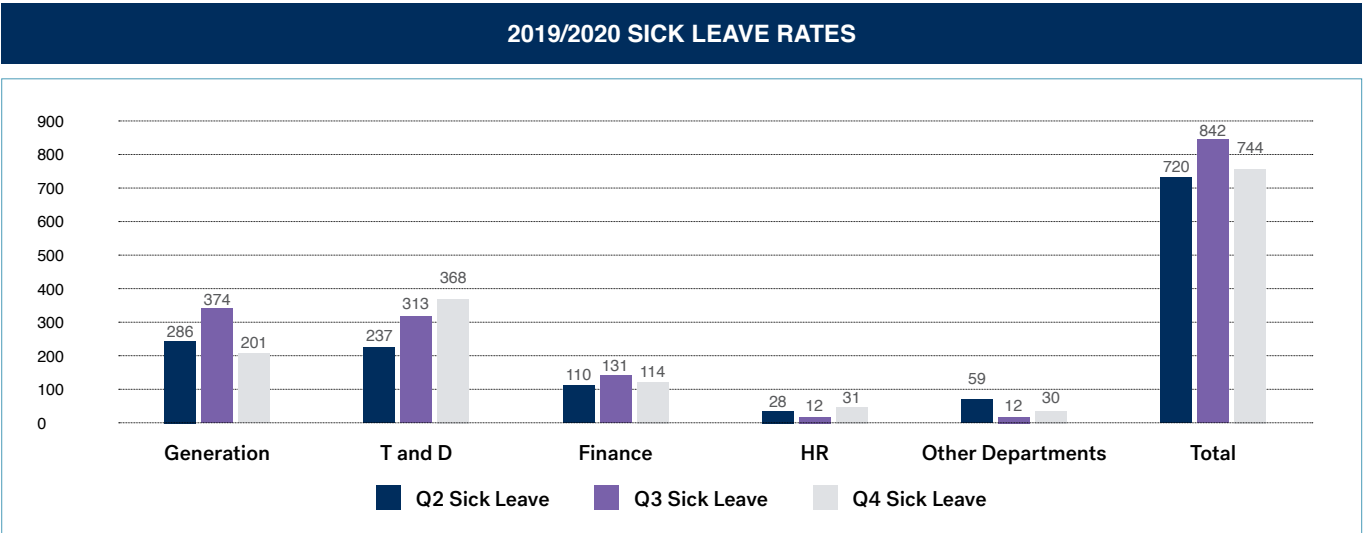
PTSD	Restructuring	Group Counselling (trauma)	Relationships	Work Stressor	Marriage	Ill Health	Debt	Follow up	Grief	Depression /Stress	Total
11	15	56	12	6	8	6	15	35	28	18	210

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. Employee sick leave rates were high, hovering between 720 and 840 per quarter during the review period as can be seen in Figure 1.



Interventions

A total of 32 awareness promotion and educational sessions which aimed at reducing the rates of absenteeism were conducted. Topics covered included Coronavirus; Wellness services; Ill Health policy; and Home/Hospital visitation.

In an effort to cover more ground in providing peer-to-peer support within the workplace, a total of 77 peer educators were trained. This has led to 27 BPC’s 32 outer stations continuing to provide sessions dealing with health-related topics and issues including HIV and AIDS education, condom distribution, identification and referral of cases for psychosocial support, as well as identification of other occupational stressors as these are also drivers of sick leave.

Staff morale and engagement

Several initiatives geared at improving staff morale and engagement have been implemented. These include a World AIDS day commemoration; Cancer day; month of prayer; and sessions in which staff are educated about HIV prevention and undergo screening for other ailments. These activities are appreciated by staff.

Other initiatives include negotiations for gym discounts with local gyms, although the uptake by staff was quite low; motivational talks; cycling events; outer stations soccer spectacles; and counselling. Many of these initiatives achieved their objectives. A survey conducted at clinic level revealed 90% satisfaction by clients (staff) regarding the services they receive.

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. To this end a total of 18 sessions on financial literacy were held, 10 in Gaborone and eight at the Morupule Power stations.

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 for the 2022 budget.

SUSTAINABILITY REPORT (CONTINUED)

SDG 4 QUALITY EDUCATION

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

Botswana Power Corporation and First National Bank (FNB Foundation) Partnership

BPC in partnership with FNBB Foundation donated one thousand, nine hundred and eighteen (1,918) bags to Primary School going students in rural and remote areas. The bags help with basic lighting for students to be able to study in the evening.

Botswana Power Corporation and University of Botswana Partnership

Botswana Power Corporation and University of Botswana mutual aim to encourage research in the energy sector. The collaboration and strategic partnership between the University of Botswana and Botswana Power Corporation is critical for knowledge and skills enhancement, innovation and technology transfer.

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
427	1443	1870

Due to the nature of its business, one of the scarce skills within the Corporation is engineering, which remains a male-dominated profession. However, over the years the Corporation has devoted considerable effort to training and availing employment opportunities to female engineers. At the end of the review period, the Corporation's engineer cadre included 11 women.

EXECUTIVE MANAGEMENT HEADCOUNT

FEMALE	MALE	TOTAL
2	5	7

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

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

1. 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. In 2020, rural electrification rate was 88 % across Botswana, which is impressive by sub-Saharan Africa standards
2. National Electricity Standard Cost: This ongoing programme was introduced on 1 October 2010. It allows scheme participants 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 2020 financial year, there were 18,595 beneficiaries, up from 11,759 in the prior year.
3. Solar PV Development: The Corporation has embarked on a renewable energy programme to develop a new energy mix which includes a 100 MW (2x50 MW) Solar plant and 12 grid-connected Small Scale Solar PV plants located in 12 different villages.

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 2020 financial year, the Corporation employed 1,870 citizens and two expatriates. This represents citizen employment of 99.8 %.

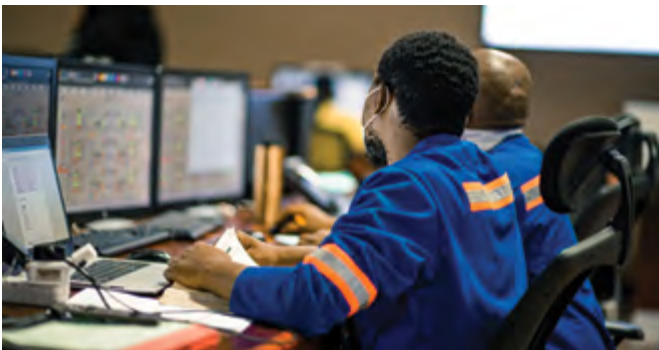
Furthermore, the Corporation provides indirect work for thousands of local citizens through the implementation of several projects. A total of 3,287 contractor employees were engaged in major projects that include rural electrification, network refurbishment and the North West transmission grid projects.

SUSTAINABILITY REPORT (CONTINUED)

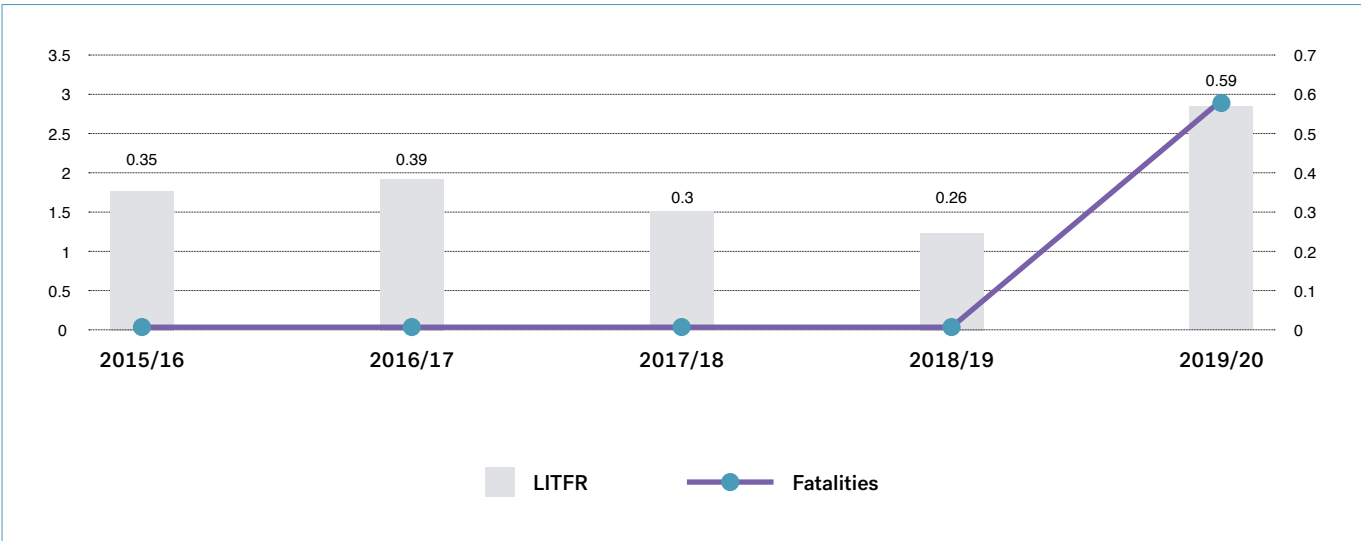
SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION

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. After a stirring record over the past three years, the Corporation in the 2020 financial year unfortunately suffered three fatalities and recorded a Lost Time Injury Frequency Rate (LTIFR) of 0,59, up from 0,26 achieved during the previous year.



LOST TIME INJURY FREQUENCY RATE PER 200 000 HOURS WORKED



Environmental protection initiatives were introduced in the review period. These included waste segregation at source, waste recycling, soil remediation and vegetation management along transmission and distribution lines. One remediation project was successfully completed at Mosetse village in the Northern region. Furthermore, the corporation has successfully extended the safe handling and disposal of fluorescent tubes to additional areas including the South and Northern regions. The programme was initially implemented at the power stations only.

Although the 2020 performance was less than satisfactory, the Corporation has up-scaled engagement processes with all stakeholders especially contractor management. Other improvements to reverse the downward safety trend include a review of the BPC mechanical & Electrical Safety rules;

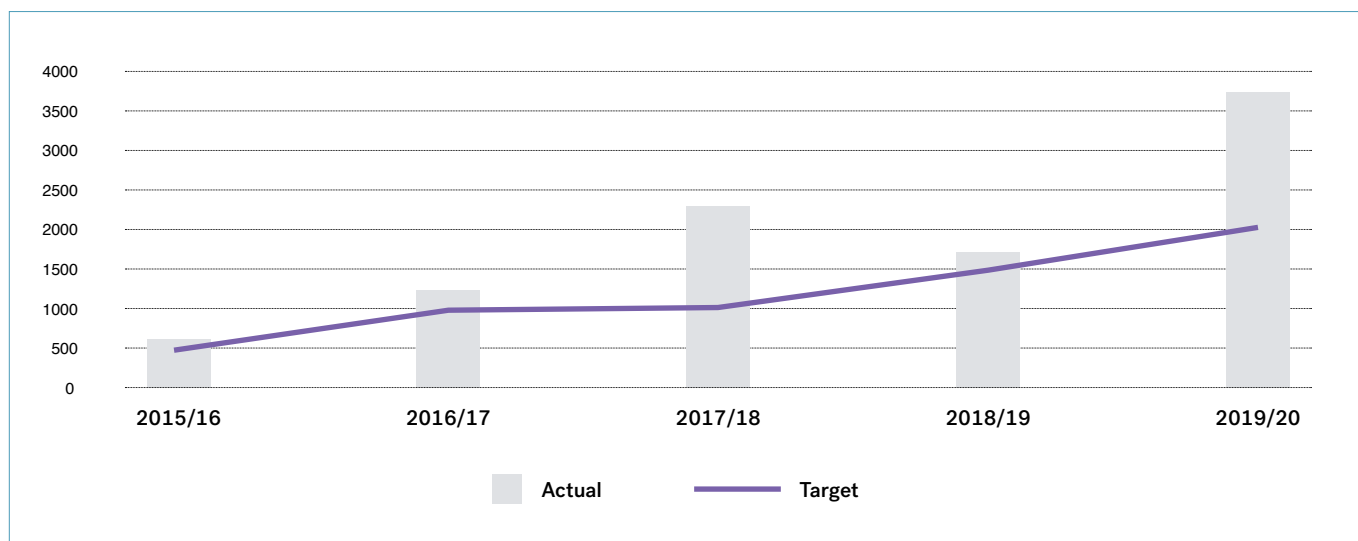
enhanced training in all aspects of SHE; and extended Executive Management Visibility felt leadership visits. Other initiatives include the introduction of Regional First Aid Competitions with BPC taking part in the renowned Botswana Chamber of Mines First Aid Competitions hosted by Karowe Mine.

Safety Leading Indicators Trends (Behavioral change)

The uptake in the reporting of leading indicators is satisfactory as employees and service providers are progressively reporting and the 2020 reports exceed those of the previous year by 53%. This is a positive development and will help promote a sustainable positive SHE culture. However, there is still much to be done, including working more diligently towards correcting some ongoing unsafe conditions in the workplace.

SUSTAINABILITY REPORT (CONTINUED)

LOST TIME INJURY FREQUENCY RATE PER 200 000 HOURS WORKED



Public safety

During the year 2020, the Corporation continued its effort to sensitise the public on the dangers of electricity. 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 were two non-controllable fatalities recorded.

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.

With the emergence of the Covid-19 pandemic in the fourth quarter of the review period, determined efforts were made to continue with awareness programmes by using other methods of communication. New structures have also been set up to tackle issues around illegal connections and vandalism in a structured and coordinated manner.

Environment

Implementation of the vegetation management programme progressed well during the review period. Various stakeholders were engaged throughout the year to ensure that the roll out was a success. The aim of the vegetation management programme is to ensure that indigenous and rare species are protected when vegetation is cleared from under the servitude lines.

Other programmes such as waste recycling, tree planting and preparations for the disposal of PCB contaminated equipment in line with National Implementation plan were implemented. A total of 15,5340 litres of used oil was collected from BPC premises by local recycling companies, and 654 tons of scrap metals was recycled.



CORPORATE GOVERNANCE

Corporate Governance

78



BOTSWANA POWER CORPORATION



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 the trust of its stakeholders and the achievement of its performance goals. The BPC Board is committed to the practice of good corporate governance and conforms with 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 is carried out and disclosed.
- All stakeholders are provided with clear, concise and timely information about the Corporation’s operations and results.
- The Corporation recognises its social responsibility and provides assistance and development support to the communities in which it operates.

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 (CEO) 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. BPC has a unitary board structure with the Board comprised exclusively of non-executive members – eight ordinary members plus a non-executive Board Chairman – in accordance with the BPC Act. This board structure ensures that the Board maintains a high level of objectivity and independence in its deliberations and resolutions.

In addition, the Board has one co-opted member who serves on the Board Procurement and Tender Committee.

In line with 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 members for the year under review were:



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 member retired from the BPC Board during the year under review:

MEMBER	DATE OF RETIREMENT
Dr Obolokile Obakeng	26 August 2019

Board Meetings

The Board meets at least four times annually to discuss matters relating to, amongst others 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

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

These Committees' respective Terms of References detail their responsibilities and powers, as set out as follows:

BOARD FINANCE AND INVESTMENT COMMITTEE

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

Chairperson: Mr Pelaelo Khowe
Member: Prof Oboetswe Motsamai
 Ms Gaanewe Mogotsi

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD AUDIT AND RISK COMMITTEE

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

Chairperson: Ms Gaanewe Mogotsi

Members: 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 committee is responsible for monitoring compliance with BPC Tender Regulations; maintaining the Tender Regulations in an up-to-date status according to international standards best practice; and monitoring progress on the implementation of approved tenders and related projects. The committee also ensures that the Corporation complies with the Economic Diversification Drive (EDD) and Citizen Economic Empowerment (CEE) policies in all procurement.

Chairperson: Mr Bernard Kenosi

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

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

Members: Mr Vincent Kinnear
Ms Gaanewe Mogotsi
Mr Bernard Kenosi

BOARD TECHNICAL COMMITTEE

The Board Technical Committee assists the Board's oversight of the Corporation's functions of the generation, transmission, distribution and supply of electricity in Botswana. This includes, but is 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 Committee is also responsible for the approval of the budget for Capital Expenditure Projects.

Chairperson: Mr Keith Thomas Blanchard

Members: 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. One such committee is the Board Procurement Complaints and Appeals Committee which sits to consider and rule on complaints and appeals raised by bidders.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board of Directors' Declaration of Interest

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 Directors on their duties, responsibilities and powers. The Board Secretary also advises on corporate governance, legal matters and statutory compliance; and reports to the Board functionally and to the Chief Executive Officer administratively.

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	3/4	07	-	-	-	-	-	22,500
Prof Oboetswe Motsamai	3/4	14	04	-	-	-	10	60,750
Mr Bernard Kenosi	4/4	04	-	-	13	05	03	67,500
Dr Leungo Kelebopile	3/4	08	-	-	10	-	05	46,800
Mr Pelaelo Khowe	4/4	10	04	04	11	-	-	61,650
Mr Keith Thomas Blanchard	1/4	-	-	-	05	-	05	22,050
Mr Vincent Kinnear	4/4	05	-	04	-	07	06	47,250
Mrs Gaanewe Mogotsi	3/4	03	02	05	-	11	-	43,650
Mr Simon Meti	4/4	21	-	-	13	16	-	106,650
Dr Obolokile Obakeng	1/4	02	-	02	-	-	02	12,600
Mr Duncan Pie (Co-opted)	-	01	-	-	08	-	-	16,650



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Internal Controls

In order to meet its responsibility of providing reliable financial information, BPC maintains financial and operational internal control systems. 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.

While 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, as well as to the Audit and Risk Committee. The Internal Audit function process provides assurance that significant risks are subjected to periodic reviews; 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 the 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 out 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 for 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.



BOTSWANA POWER CORPORATION

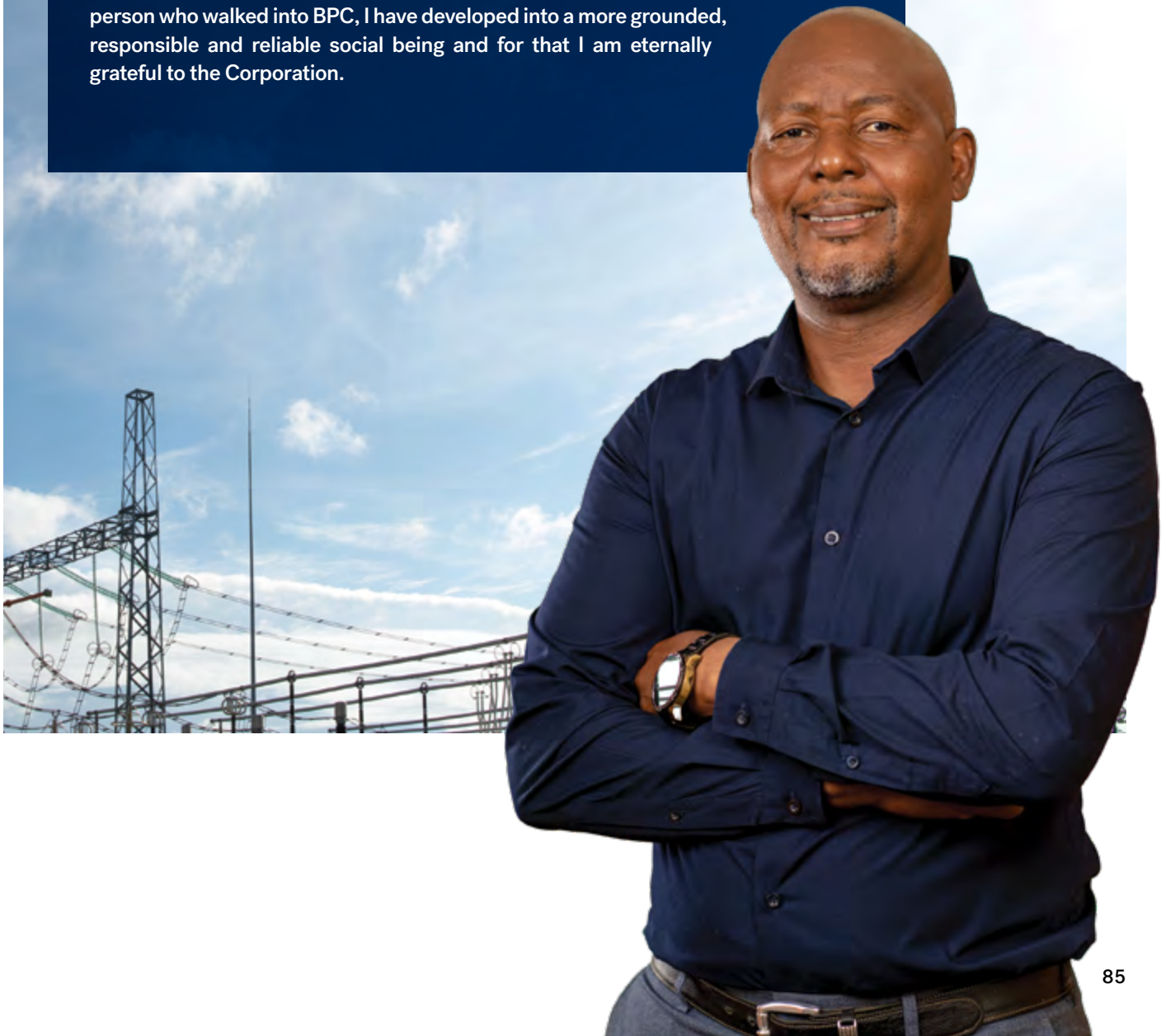
BPC WORK JOURNEY

AS BPC HAS GROWN, ITS PEOPLE
HAVE DEVELOPED ALONG WITH IT.

Molelekwa Ramonna

21 years ago on the 27th of November 2000, I joined the BPC. Having joined BPC as a young person I had plenty of opportunity for self-development and growth. BPC Sponsored quite a few developmental short courses and also availed office resources to me to improve myself, of which I took full advantage.

These developments put me in a position to confidently compete for available and relevant jobs within the Corporation. From the young inexperienced person who walked into BPC, I have developed into a more grounded, responsible and reliable social being and for that I am eternally grateful to the Corporation.





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ANNUAL FINANCIAL STATEMENTS

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BOTSWANA POWER CORPORATION

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GENERAL INFORMATION

MEMBERS OF THE BOARD

B Thebenyane	(Chairman)
Prof O S Motsamai	(Vice Chairman)
K Blanchard	
B Kenosi	
G Mogotsi	
P Khowe	
V Kinnear	
Dr L Kelebopile	

EXECUTIVE MANAGEMENT

E Rugoyi	Chief Executive Officer (Acting)
L Moshoeshoe	Chief Financial Officer(Acting)
Z Witbooi	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
M Modiro-Marata	General Corporate Counsel/Board Secretary (Acting)

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

ATTORNEYS

Armstrongs	Minchin and Kelly
P O Box 1368	P O Box 1339
Gaborone	Gaborone

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

31 MARCH 2020

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 2020, 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.

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

31 MARCH 2020

The external auditors are responsible for independently reviewing and reporting on the Corporation's financial statements and their report is presented on pages 92 to 95.

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 45.

APPROVAL OF THE FINANCIAL STATEMENTS BY MEMBERS OF THE BOARD

The financial statements set out on pages 96 to 141, which have been prepared on the going concern basis, were approved by the board on 29 September 2020 and were signed on its behalf by:



Mr. B. Thebenyane
(Chairperson of the Board)



Mr. P. Khowe
(Member of the Board)

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF MINERAL RESOURCES, GREEN
TECHNOLOGY AND ENERGY SECURITY

Report on the audit of the financial statements

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 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Botswana Power Corporation's financial statements set out on pages 96 to 141 comprise:

- the statement of financial position as at 31 March 2020;
 - 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;
 - the summary of significant accounting policies; and
 - the notes to the financial statements.
-

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 45 to the financial statements, which indicates that the Corporation incurred a loss of P 1,403,095,000 for the year ended 31 March 2020 and, as of that date, the Corporation's current liabilities exceeded its current assets by P3,407,958,000. As stated in Note 45, these events or conditions, along with other matters as set forth in Note 45, 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. 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

Impairment assessment of trade receivables and consumer loans

At 31 March 2020, the Corporation recognised expected credit loss (“ECL”) allowances of:

- P94,741,000 with respect to consumer loans provided under the Corporation’s hire purchase scheme (note 17 to the financial statements);
- P86,536,000 with respect to consumer loans under the National Electrification Standard Cost (“NESC”) scheme (note 21 to the financial statements);
- P148,733,000 with respect to trade receivables for electricity sales (note 23 to the financial statements); and
- P56,894,000 with respect to small work contractor receivables (note 23 to the financial statements).

The Corporation measures the allowance for impairment of trade receivables and consumer loans in accordance with the impairment requirements of IFRS 9 – Financial Instruments (“IFRS 9”).

Trade receivables

The Corporation applies the simplified approach and recognises lifetime ECLs for trade 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 customer’s ability to settle the outstanding amount.

Consumer loans

The Corporation applies the general approach to impairment of consumer loans, with lifetime ECLs only recognised when there is a significant increase in credit risk. This has been assessed using an impairment model having taken 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).

The ECL impairment assessment of trade receivables and consumer loans was considered to be a matter of most 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 receivable; and
- Note 17 Consumer loans – Hire purchase scheme, Note 21 Consumer Loans – NESC, Note 23 – Trade and other receivables.

How our audit addressed the key audit matter

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 impairment requirements of IFRS 9.

Trade 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 underlying historical data used in the ECL provision matrix as at 31 March 2020 by reference to supporting documents, calculations and other audited information and found no material exceptions.

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.

We created our own independent assessment of the expected loss rates and ECL provision, including consideration of current and forward looking macroeconomic factors, and compared our results against those of the Corporation. We found the Corporation’s estimates to be within an acceptable range in the context of the ECL model.

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 2020 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.

We challenged assumptions and judgements made by the Corporation through discussion with management, comparison to data and our 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.

We evaluated the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities; and found these to be in line with relevant requirements.

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF MINERAL RESOURCES, GREEN TECHNOLOGY AND ENERGY SECURITY

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 2020" 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 2020", 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 and will 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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 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;
- Except as noted below, the Corporation has complied with all the financial provisions of the Act with which it is the duty of the Corporation to comply; and
- The financial statements prepared by the Corporation were prepared on a basis consistent with that of the preceding year, except as explained in the Summary of Significant Accounting Policies (Standards and Interpretations effective in the current year).

As set out in Note 44 to the financial statements, the Corporation has not met the requirements of Section 17 of the Botswana Power Corporation Act (Cap 74:01), which requires it to conduct its affairs on commercial lines so as to produce a net operating income by which a reasonable return can be measured. The Corporation incurred an operating loss of P 711,892,000 for the year ended 31 March 2020.



Individual Practicing member: Rudi Binedell
Registration Number: 20040091

Gaborone
20 October 2020

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 P'000	2019 P'000
Revenue	1	3,398,553	3,363,144
Other operating income	2	129,379	117,511
Consumer tariff subsidy	7	600,000	800,000
TOTAL OPERATING INCOME		4,127,932	4,280,655
Generation, transmission and distribution expenses	3	(4,296,166)	(3,022,335)
Administration and other expenses	4	(543,658)	(530,341)
TOTAL OPERATING EXPENSES		(4,839,824)	(3,552,676)
OPERATING (LOSS)/PROFIT		(711,892)	727,979
Interest income	8	29,262	26,994
Finance costs	9.1	(261,743)	(275,055)
Net exchange (losses)/gains	9.2	(658,085)	(749,255)
Fair value gain/(loss) on cross currency and interest rate swap	10	84,079	511,812
(LOSS)/PROFIT BEFORE TAX		(1,518,379)	242,475
Income tax (charge)/ credit	11	115,284	(40,554)
(LOSS)/PROFIT FOR THE YEAR		(1,403,095)	201,921
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	413,035	87,318
Deferred tax effect	29	(56,455)	(13,098)
TOTAL OTHER COMPREHENSIVE INCOME		356,580	74,220
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(1,046,515)	276,141

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 P'000	2019 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	20,983,978	19,271,354
Right-of-use Assets	13	10,945	-
Investments at amortised cost	15	29,560	25,931
Other financial assets at fair value	36	856,542	855,225
		21,881,025	20,152,510
Current assets			
Future coal supplies	14	-	20,030
Standard cost recovery - NESC	20	154,079	276,752
Investments at amortised cost	15	399,988	1,250,025
Consumer loans - hire purchase scheme	17	10,667	13,333
Consumer loans - NESC	21	11,331	14,243
Inventories	22	448,331	477,422
Trade and other receivables	23	288,495	320,442
Bank balances and cash	16	182,589	289,821
		1,495,480	2,662,068
TOTAL ASSETS		23,376,505	22,814,578
EQUITY AND LIABILITIES			
Capital and reserves			
Irredeemable capital	24	9,423,076	8,621,076
Revaluation reserve	25	4,561,424	4,204,844
Other reserves	26	1,803,087	1,803,087
Accumulated loss		(5,247,412)	(3,844,317)
		10,540,175	10,784,690
Non-current liabilities			
Deferred income - consumer financed projects	28	2,686,917	2,672,650
Borrowings	30	4,899,182	4,901,029
Consumer deposits	31	77,450	80,118
Lease Liability	35	7,982	-
Deferred tax liability	29	261,360	320,190
		7,932,891	7,973,987
Current liabilities			
Consumer loans - rural collective scheme	18	94,261	87,995
Standard cost recovery	19	86,672	86,672
Borrowings	30	547,035	492,264
Consumer deposits refunds	31	2,618	2,752
Lease Liability	35	3,617	-
Trade and other payables	32	2,477,949	1,854,037
Advances - consumer financed projects	33	1,497,640	1,386,640
Provisions	34	193,646	145,541
		4,903,438	4,055,901
TOTAL EQUITY AND LIABILITIES		23,376,505	22,814,578

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Irredeemable capital P'000	Revaluation reserve P'000	Other reserves P'000	Accumulated losses P'000	Total P'000
Opening balance 1 April 2018	7,853,800	4,130,624	1,803,087	(4,046,238)	9,741,273
Profit for the year	-	-	-	201,921	201,921
Other comprehensive income (net of tax)	-	74,220	-	-	74,220
Transactions with owners in their capacity as owners					
Irredeemable capital contribution	767,276	-	-	-	767,276
Balance at 31 March 2019	8,621,076	4,204,844	1,803,087	(3,844,317)	10,784,690
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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 P'000	2019 P'000
CASH FLOWS USED IN OPERATING ACTIVITIES:			
Cash generated from operations	38	892,504	1,814,419
Income tax paid		-	(196)
Net cash flow from operating activities		892,504	1,814,223
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Interest received	8	29,262	26,994
(Decrease)/Increase in investments at amortised cost		(3,629)	(1,938)
Purchase of property, plant and equipment	12	(1,887,696)	(1,023,771)
Proceeds from disposal of property, plant and equipment		954	852
Net cash used in investing activities		(1,861,109)	(997,863)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings	30	(608,360)	(574,166)
Interest paid		(260,782)	(275,055)
Repayment of Lease	35	(4,284)	-
Net settlements on other financial assets	10	82,762	74,750
Irredeemable capital contribution from the Government	24	802,000	767,276
Net cashflow from/(used in) financing activities		11,336	(7,195)
Net increase in cash and cash equivalents		(957,269)	809,165
Cash and cash equivalents at beginning of the year		1,539,846	730,681
Cash and cash equivalents at end of the year		582,577	1,539,846
Cash and cash equivalents comprise:			
Investments at amortised cost	15	399,988	1,250,025
Bank balances and cash	16	182,589	289,821
		582,577	1,539,846

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and interpretations effective in the current year

In the current year, the Corporation has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019.

IFRS 16 – Leases (effective annual periods beginning on or after 1 January 2019)

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. At the very least, the new accounting model for lessees is expected

to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The Corporation has lease obligations for the rental of premises. These leases were previously measured in accordance with IAS 17. The Corporation adopted IFRS 16 – Leases ("IFRS 16") for the first time during the financial year ended 31 March 2020 to recognise, measure, present and disclose operating leases. In accordance with the requirements of IFRS 16, the Corporation reassessed the way in which it accounts for operating leases where it is a lessee.

In applying IFRS 16 for the first time, the Corporation applied IFRS 16 retrospectively from 01 April 2019, but has not restated comparatives for the year ended 31 March 2019, as permitted under the specific transition provisions in the standard. On adoption of IFRS 16, the Corporation recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 8%. The Corporation recognised right-of-use asset in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

In determining the appropriate amounts and balances to apply in the application of IFRS 16, the Corporation used following observable data inputs:

- Remaining lease period - Lease term has been determined based on the contractual term and for additional period where the Authority is reasonably certain to renew.
- Lease payments; and
- Corporation's estimate of its incremental borrowing rate - The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 8% per annum.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standards and interpretations effective in the current year

The Corporation also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

Adjustments recognised in the balance sheet on 1 April 2019

The change in accounting policy affected the following items in the balance sheet on 1 April 2019

- Right-of-use assets – increase by P11.33Mn
- Lease liabilities – increase by P 11.33Mn.

Other Standards and interpretations effective in the current year Summary of other Standards, amendments and interpretations which are applicable for current financial year is given below and none of them had material impact to Corporation's financial statements.

- Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.
- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement.
- IFRIC 23, 'Uncertainty over income tax treatments'

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 2020. 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. 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

PROPERTY, PLANT AND EQUIPMENT

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

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 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 (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

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.

TAXATION

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

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

RIGHT-OF-USE ASSETS AND LEASE LIABILITY (continued)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

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.

FINANCIAL INSTRUMENTS: IFRS 9

Financial instruments held by the Corporation are classified in accordance with provisions of IFRS 9 Financial Instruments.

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 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL INSTRUMENTS: IFRS 9 (continued)

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 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL INSTRUMENTS: IFRS 9 (continued)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

CONSUMER DEPOSITS

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

DEFERRED INCOME CONSUMER FINANCED PROJECTS

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

ADVANCES ON CONSUMER FINANCED PROJECTS

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

NATIONAL ELECTRIFICATION STANDARD CONNECTION COST (NESC) RECOVERY

National electrification standard connection cost comprises of refunds due from Government through the National Electrification Standard Cost Connection Fund. The amount claimable by the Corporation is the difference between the standard charge of P5,000 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
- 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

REVENUE (continued)

Consumer Finance Recoveries

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

Interest received

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

Other income

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Revenue recognition

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

Investment at Amortised Cost

The directors have reviewed the Corporation's financial assets at fair value in the light of its capital maintenance and liquidity

requirements and have confirmed the Corporation's positive intention and ability to hold those assets to maturity. The carrying amount of the financial assets at fair value is P29,560,000 (2019: P25,931,000). Details of these assets are set out in note 15.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Useful lives of property, plant and equipment

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

Revaluation of property, plant and equipment

The Corporation periodically commissions external experts to value property, plant and equipment. The latest revaluation was carried out at 31 March 2020.

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 in rural 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Revaluation of property, plant and equipment (continued)

As at 31 March 2020, the Corporation performed a fair value assessment on land and building, generation transmission and distribution assets and an upward P413 million adjustment was recognised.

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 2019, the Corporation estimated the fair value of the Power Station and underlying property and its improvements using replacement cost to be P18.225 million and recognised the asset and deferred income in the current year.

Fair value of financial instruments

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

- Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the Corporation can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs are unobservable inputs for the asset or liability.

Some of the Corporation's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Corporation uses market-observable data to the extent available. Where level 1 inputs are not available, the Corporation engages third party qualified valuers, to determine the valuation techniques and inputs for the fair value measurements. Management of the Corporation work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of the assets and liabilities are disclosed in notes 10 and 40.9.1.

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 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 23.3

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of consumer loans and trade receivables (continued)

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

Income tax

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

The Income Tax Act was amended during February 2016 to bring all parastatal entities and other state-owned enterprises, which had previously been exempted from income tax, to be within the ambit of the Act. The revised Act allows the Minister of Finance 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. 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 are given below:

Discount Rate	5.80%
Terminal Growth Rate (Demand side Indicator)	2.75%
Generation capacity 2021 to 2023 as % of budget / plan	92.00%
Generation capacity 2024 onwards as % of budget / plan	67.50%
Variable cost of Generation (BWP / MWh)	0.36

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:

Discount Rate	7.16%
Terminal Growth Rate (Demand side Indicator)	0.90%
Generation capacity 2024 onwards as % of budget / plan	61%
Variable cost of Generation (BWP / MWh)	0.45

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

	2020 P'000	2019 P'000
1. REVENUE		
Sale of electricity:		
Mining	553,211	578,318
Commercial	1,320,225	1,294,600
Domestic	981,242	925,774
Government	540,655	560,741
	3,395,333	3,359,433
Interest earned on consumer loans	2,824	2,748
Reconnection charges	396	963
	3,398,553	3,363,144
2. OTHER OPERATING INCOME		
Profit on sale of materials	38,856	17,351
Penalties and late payment fees	6,340	7,702
Rent receivable	4,086	4,823
Wheeling revenue	10,511	8,656
Consumer finance projects recoveries	26,711	51,196
Sales to Southern African Power Pool (SAPP)	17,311	19,675
Other sundry income	25,076	7,354
Profit on disposal of property, plant and equipment	488	754
	129,379	117,511
3. GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES		
Fuel, water and chemicals	855,297	885,222
Power purchases	2,208,304	861,352
Maintenance		
- Generation	123,680	381,066
- Transmission, Distribution	186,884	132,373
Amortisation of deferred income - Other	(91,840)	(89,166)
Staff costs		
- Generation	183,988	141,187
- Transmission, Distribution	261,279	213,187
Depreciation		
- Generation	276,711	224,090
- Transmission, Distribution	270,185	263,784
Other expenses		
- Transmission, Distribution	21,678	9,239
	4,296,166	3,022,335



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

	2020 P'000	2019 P'000
4. ADMINISTRATION AND OTHER EXPENSES		
Staff costs	146,139	156,540
Depreciation of items of property, plant and equipment and ROU	42,455	37,709
Auditor's remuneration	1,527	1,481
Board members fees	1,257	516
Provision/(reversal) of provision for impairment of receivable	81,815	37,628
Insurance expenses	43,476	34,745
Postage and telecommunications costs	8,716	9,322
Printing and stationery	1,619	1,988
Rental expense	553	3,979
Fuels and lubricants	14,288	16,291
Customs duty, freight charges and price variance	1,089	1,254
Travel and accommodation costs	17,465	11,470
Advertising	3,827	3,361
Commission costs	66,375	60,944
Security costs	23,663	17,487
Litigation claims	42	22,448
Bank charges	4,752	4,940
Consultancy fees	10,029	9,795
Office cleaning costs	28,761	20,636
Repairs and maintenance	44,731	34,578
Provision/(reversal of provision) for early exit packages	(23,813)	138
Other sundry expenses	24,892	43,091
	543,658	530,341
5. OPERATING PROFIT/(LOSS)		
Operating profit/(loss) is arrived at after charging/(crediting) the following items:		
Depreciation of items of property, plant and equipment	585,374	525,584
Profit on disposal of property, plant and equipment	(488)	(754)
Repairs and maintenance of property, plant and equipment	44,731	34,578
Sale of materials	(303,684)	(250,448)
Cost of materials sold	264,828	233,097
Operating lease charges - property rentals	553	3,979
6. STAFF COSTS		
Salaries and wages	536,351	455,066
Gratuities	6,869	15,038
Pension contributions	48,186	40,082
Medical retirement packages	-	729
	591,406	510,915
Staffs costs are included in generation, transmission and distribution and administration expenses are reconciled below:		
Staff costs - Generation	183,988	141,188
Staff costs - Transmission, Distribution	261,279	213,187
Staff costs - Administration	146,139	156,540
	591,406	510,915

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

	2020 P'000	2019 P'000
7. CONSUMER TARIFF SUBSIDY	600,000	800,000

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 P600,000,000 (2019:P800,000,000) to partially offset the operating losses.

8. INTEREST INCOME

Bank balances on call accounts and investments	29,262	26,994
9.1 FINANCE COSTS		
Interest on borrowings	260,782	275,055
Interest on lease liability - IFRS 16	961	-
	261,743	275,055

The interest costs incurred on the Industrial and Commercial Bank of China (ICBC) loan disclosed per Note 30

9.2 NET EXCHANGE (LOSSES) /GAINS

Exchange (losses)/gains on borrowings	(661,284)	(747,968)
Other exchange (losses) / gains	3,199	(1,287)
	(658,085)	(749,255)

10. FAIR VALUE GAIN/(LOSS) ON CROSS CURRENCY AND INTEREST RATE SWAP

Realised fair value gain/(loss) on cross currency and interest rate swap	82,762	74,750
Received from Standard Bank Plc.	722,022	729,447
Payments to Standard Bank Plc.	(639,260)	(654,697)
Unrealised fair value gain/(loss) on the cross currency and interest rate swap	1,317	437,062
	84,079	511,812

As detailed in Note 36, 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% (2019:6.83%) 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 P856,542,000 (2019: P855,225,000). See note 36.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

	2020 P'000	2019 P'000
11. INCOME TAX EXPENSE/(CREDIT)		
Current tax	-	196
Deferred tax (note 29)	(115,284)	40,358
	(115,284)	40,554
<i>Income tax reconciliation:</i>		
Profit/(Loss) before taxation	(1,518,379)	242,475
Taxation at 15% (2019: 15%)	(227,757)	40,092
Under provision in respect of previous year	11,047	-
Deferred tax asset not recognised on interest claimable	25,732	-
Reversal of deferred tax asset on tax losses previously recognised	73,137	-
Capital Gains Tax	-	196
Disallowable/non-taxable items	2,557	266
	(115,284)	40,554

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 (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

12. PROPERTY, PLANT AND EQUIPMENT	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	3,388,440	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	2,661,305	20,983,978
At 31 March 2020					
Cost/valuation	952,575	17,251,192	171,125	2,661,305	21,036,197
Accumulated depreciation and impairment	-	-	(52,218)	-	(52,218)
Carrying amount	952,575	17,251,192	118,907	2,661,305	20,983,978
2019 Carrying Amount					
Balance at beginning of year	707,098	15,206,690	109,160	2,651,688	18,674,634
Additions	-	23,231	41,171	959,194	1,023,596
Additions from Grants	2,995	16,175	-	-	19,170
Disposals cost	-	-	(3,036)	-	(3,036)
Accumulated depreciation eliminated on disposals	-	-	2,938	-	2,938
Reclassification of maintenance expenses from opening balance	-	-	-	(7,683)	(7,683)
Depreciation	(10,682)	(487,874)	(27,028)	-	(525,584)
Transfers	-	214,759	-	(214,759)	-
Revaluation adjustment	-	87,318	-	-	87,318
Balance at end of year	699,411	15,060,299	123,205	3,388,440	19,271,354
At 31 March 2019					
Cost/valuation	710,093	15,060,299	150,233	3,388,440	19,309,065
Accumulated depreciation and impairment	(10,682)	-	(27,028)	-	(37,710)
Carrying amount	699,411	15,060,299	123,205	3,388,440	19,271,354

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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

As at 31 March 2020, 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 2020 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)

	Fair value measurement at 31 March 2020			
	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	fair value P'000
Land and buildings	-	-	952,575	952,575
Generation transmission and distribution assets	-	-	17,251,192	17,251,192

There were no transfers between levels during the year.

	Fair value measurement at 31 March 2019			
	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	fair value P'000
Land and buildings	-	-	699,411	699,411
Generation transmission and distribution assets	-	-	15,060,299	15,060,299

There were no transfers between levels during the year.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

13. RIGHT OF USE ASSETS

During the 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;

	2020 P'000	2019 P'000
Cost		
Balance as at 1 April 2019	-	-
Implementation of IFRS 16	11,329	-
New Leases during the year	3,593	-
Balance as at 31 March 2020	14,922	-
Accumulated Depreciation		
Balance as at 1 April 2019	-	-
Charge for the year	3,977	-
Balance as at 31 March 2020	3,977	-
Net Book Value as at 31 March 2020	10,945	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

	2020 P'000	2019 P'000
14. FUTURE COAL SUPPLIES		
Balance at beginning of year	20,030	40,061
Amortisation during the year	(20,030)	(20,031)
Balance at end of year	-	20,030
Comprising of:		
Current portion	-	20,030
Non-current portion	-	-
	-	20,030

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	399,988	1,250,025
Deposits with foreign banks	29,560	25,931
	429,548	1,275,956
Current portion	(399,988)	(1,250,025)
Long-term portion	29,560	25,931

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% (2019: 1 % to 6%). These fixed deposits are invested for periods ranging from 7 to 91 days (2019: 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 30.

The deposits denominated in foreign currency are as follows:

US dollar (\$000)	398,755	397,741
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

	2020 P'000	2019 P'000
16. CASH AND CASH EQUIVALENTS		
Bank Balances	182,589	289,821
	182,589	289,821
17. CONSUMER LOANS - HIRE PURCHASE SCHEME		
17.1 Long-term portion		
Hire purchase scheme	105,408	109,574
Less: Short-term portion	(10,667)	(13,333)
Less: Loss allowance	(94,741)	(96,241)
	-	-
17.2 Short-term portion		
Hire purchase short-term portion	10,667	13,333
Less: Loss allowance	-	-
	10,667	13,333
Total	10,667	13,333

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 Barclays Bank of Botswana Limited prime lending rate, which at the end of the year was 5.75% (2019:6.5%).

17.3 Movement in the loss allowance for hire purchase scheme receivables

Balance at beginning of year	96,241	82,591
Adjustment to opening balance due to adoption of IFRS 9 transition	-	(2,963)
Charge/(release) for the year	(1,500)	16,613
Balance at end of year	94,741	96,241

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 (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

17. CONSUMER LOANS - HIRE PURCHASE SCHEME (continued)

17.4 Gross carrying values and loss allowance

	31 March 2020			31 March 2019		
	Gross Carrying Value	Loss allowance	Net Carrying Value	Gross Carrying Value	Loss allowance	Net Carrying Value
	P'000	P'000	P'000	P'000	P'000	P'000
Not past due	9,904	(6,311)	3,593	9,539	(2,879)	6,661
Past Due 30 days	5,020	(3,313)	1,707	7,101	(2,412)	4,690
Past Due 60 days	8,527	(3,159)	5,368	3,554	(1,985)	1,569
Past Due 90 days	1,167	(1,168)	(0)	2,649	(2,236)	413
Past Due > 365 Days	80,790	(80,790)	-	86,730	(86,730)	-
Total	105,408	(94,741)	10,667	109,574	(96,241)	13,333

	2020 P'000	2019 P'000
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18. CONSUMER LOANS - RURAL COLLECTIVE SCHEME

Long term Rural Collective Scheme	100,137	100,137
Less: Advance from Government	(100,137)	(100,137)
	-	-
Short term Rural Collective Scheme	9,437	15,703
Less: Advance from Government	(103,698)	(103,698)
	(94,261)	(87,995)
Total Government Revolving Fund	(94,261)	(87,995)

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 5.75% (2019: 6.5%).

19. STANDARD COST RECOVERY

Total standard cost	(86,672)	(86,672)
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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 (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

	2020 P'000	2019 P'000
20. STANDARD COST RECOVERY - NESC		
Refunds due from the National Electrification Standard Connection Cost Fund	154,079	276,752
Consumer loans - NESC	(86,536)	(84,933)
Less: Loss allowance	11,331	14,243

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 Barclays Bank of Botswana Limited prime lending rate, which at the end of the year was 5.75% (2019: 6.5%). Provision has been made on all accounts that defaulted on instalments plans after year end as evidence of default.

21.1 Movement in the loss allowance for consumer loans NESC

Balance at beginning of year	84,933	81,332
Adjustment to opening balance due to adoption of IFRS 9 transition	-	47
Charge/(release) for the year	1,603	3,554
Balance at end of year	86,536	84,933

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.

21.2 Gross carrying values and loss allowance

	31 March 2020			31 March 2019		
	Gross Carrying Value	Loss allowance	Net Carrying Value	Gross Carrying Value	Loss allowance	Net Carrying Value
	P'000	P'000	P'000	P'000	P'000	P'000
Not past due	12,239	(1,222)	11,017	14,886	(1,434)	13,452
Past Due 30 days	2,257	(2,096)	162	3,616	(2,882)	733
Past Due 60 days	2,169	(2,017)	152	2,075	(1,814)	261
Past Due 90 days	1,626	(1,626)	(0)	1,522	(1,449)	73
Past Due > 365 Days	79,575	(79,575)	-	77,076	(77,353)	(277)
Total	97,867	(86,536)	11,331	99,176	(84,933)	14,243



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

22. INVENTORIES	2020 000	2019 000
Coal and fuel	286,526	264,111
Maintenance spares and materials	161,805	213,311
Cost	224,277	243,211
Allowance for obsolete stock	(62,472)	(29,900)
	448,331	477,422

The cost of inventories recognised as an expense during the year was P41,012,738 (2019: P40,068,355).

23. TRADE AND OTHER RECEIVABLES

Electricity sales receivables:	140,015	174,218
Mining	35,404	17,714
Commercial	202,821	204,158
Domestic	33,469	30,150
Government related entities	72,289	77,059
Unallocated Receipts	(55,235)	(29,551)
Less: Loss allowance on electricity sales receivables	(148,733)	(125,312)
Small works contractors receivables:	60,013	69,854
Gross receivables from small works contractors	116,907	77,417
Less: Loss Allowance on Small works contractors receivables	(56,894)	(7,563)
VAT receivable	52,797	17,994
Southern African Power Pool	5,117	24,972
Other receivables	30,553	33,403
	288,495	320,442

The average credit period on sale of electricity is 45 days (2019: 41 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 P23,777,027 (2019: P18,954,497). 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 31.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

23.1 Movement in loss allowance - trade receivables

	Small works contractors receivables		Electricity sales receivables	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
Balance at beginning of year	7,563	13,002	125,312	196,480
Adjustment to opening balance due to adoption of IFRS 9 transition	-	(4,674)	-	(89,394)
Current year (reversal)/provision	49,331	(765)	23,421	18,226
Balance at end year	56,894	7,563	148,733	125,312

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.

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

	31 March 2020				
	Mining P'000	Commercial P'000	Domestic P'000	Government P'000	Total P'000
Balance at beginning of year	8,243	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

	31 March 2019				
	Mining P'000	Commercial P'000	Domestic P'000	Government P'000	Total P'000
Balance at beginning of year	7,777	96,752	25,803	66,149	196,480
Adjustment to opening balance due to adoption of IFRS 9 transition	(571)	(43,137)	(830)	(44,856)	(89,394)
Charge/(release) for the year	1,038	14,555	933	1,700	18,226
Balance at end year	8,243	68,170	25,906	22,993	125,312

Balances due from government related entities are from the normal course of business. The impairment provision includes P 11.3 Mn (2019: P22.9 Mn) in respect of government related entities and no amounts have been written off during the year.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

23.2 Gross carrying values and loss allowance

31 March 2020	Mining			Commercial			Domestic			Government			Small Works Contractors		
	Gross Carrying Value P'000	Loss Allowance P'000	Net Carrying Value P'000	Gross Carrying Value P'000	Loss Allowance P'000	Net Carrying Value P'000	Gross Carrying Value P'000	Loss Allowance P'000	Net Carrying Value P'000	Gross Carrying Value P'000	Loss Allowance P'000	Net Carrying Value P'000	Gross Carrying Value P'000	Loss Allowance P'000	Net Carrying Value P'000
Not past due	23,120	(54)	23,065	68,104	(1,725)	81,495	891	(109)	86	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)	123,170	33,469	(32,404)	369	72,289	(11,362)	60,927	116,907	(56,895)	60,011

31 March 2019	Mining			Commercial			Domestic			Government			Small Works Contractors		
	Gross Carrying Value P'000	Loss Allowance P'000	Net Carrying Value P'000	Gross Carrying Value P'000	Loss Allowance P'000	Net Carrying Value P'000	Gross Carrying Value P'000	Loss Allowance P'000	Net Carrying Value P'000	Gross Carrying Value P'000	Loss Allowance P'000	Net Carrying Value P'000	Gross Carrying Value P'000	Loss Allowance P'000	Net Carrying Value P'000
Not past due	7,104	(18)	7,086	98,942	(1,486)	97,456	825	(220)	605	39,045	(621)	38,424	47,748	(380)	47,368
Past Due 30 days	3,607	(1,221)	2,385	14,716	(199)	14,517	304	(86)	218	6,090	(66)	6,024	7,971	(63)	7,908
Past Due 60 days	-	-	-	7,450	(149)	7,301	177	(46)	131	3,035	(53)	2,982	4,026	(32)	3,994
Past Due 90 days	-	-	-	16,790	(1,077)	15,713	871	-	871	2,647	(477)	2,170	10,223	(83)	10,140
Past Due > 365 Days	7,004	(7,004)	-	66,260	(65,259)	1,001	27,973	(25,554)	2,419	26,242	(21,776)	4,466	7,449	(7,005)	444
Totals	17,714	(8,243)	9,471	204,158	(68,170)	135,988	30,150	(25,906)	4,244	77,059	(22,993)	54,066	77,417	(7,563)	69,854

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

23.2 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 Moody's forecasted 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	1 year (2020) P'000	2 years Average P'000	3 years Average P'000
	P'000	P'000	P'000
Consumer Loans- Hire Purchase	94,741	92,020	91,164
Variance in loss allowance		2,721	3,577
Variance as % of loss allowance		3%	4%
	P'000	P'000	P'000
Consumer Loans- NESC	86,536	86,583	86,564
Variance in loss allowance		(47)	(28)
Variance as % of loss allowance		0%	0%

Trade Receivables	4 years Average (Actual used) P'000	3 years Average (2018, 2019 & 2020) P'000	2 years Average (2019 & 2020) P'000	1 year (2020) P'000
	P'000	P'000	P'000	P'000
Mining	10,200	10,196	10,219	10,219
Commercial	94,767	94,950	95,511	95,467
Government	11,362	11,362	11,362	11,362
Domestic	32,404	32,404	32,404	32,404
Small Works Contractors	56,894	56,310	57,090	57,090
Grand Total	205,627	205,222	206,585	206,541

Variance in loss allowance		405	(958)	(914)
Variance as % of loss allowance	0%	0.2%	-0.5%	-0.4%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

	2020 P'000	2019 P'000
24. IRREDEEMABLE CAPITAL		
Balance at beginning of year	8,621,076	7,853,800
Contribution received during the year	802,000	767,276
Government of Botswana Funding Rakola and Northwest Transmission projects	802,000	767,276
Balance at end of year	9,423,076	8,621,076

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	4,204,844	4,130,624
Revaluation surplus for the year (net of taxes)	356,580	74,220
Balance at beginning of year and end of year	4,561,424	4,204,844

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 (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

	2020 P'000	2019 P'000
27. GOVERNMENT GRANT AND ADVANCES		
Balance at the beginning	-	73,194
Transfers to Advances - Consumers financed Project	-	(73,194)
Government grant and advances		-
Short term portion	-	-
Long term portion	-	-
		-

This advance was received from Government in respect of Ministry of Agriculture projects and was classified as Government grant for Corporation's transmission projects. However, this is an advance towards consumer financed project, thus reclassified accordingly in last financial year. There's no any impact to the income statement.

28. DEFERRED INCOME - CONSUMER FINANCED PROJECTS

Balance at beginning of the year	2,672,650	2,726,646
Additions	106,107	35,170
Amortisation	(91,840)	(89,166)
Balance at the end of the year	2,686,917	2,672,650

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.

29. DEFERRED TAX LIABILITY

The movement on the deferred tax asset/(liability) is as follows:

Balance at beginning of the year	(320,190)	(266,734)
Credit/(charge) to the income statement for the year (note 11)	115,284	(40,358)
Current year reversal/(charge)	225,200	(40,358)
Under provision in respect of previous year	(11,047)	-
Deferred tax asset not recognised on interest claimable	(25,732)	-
Reversal of deferred tax asset on tax losses previously recognised	(73,137)	-
On gain on revaluation of land and buildings and generation, transmission and distribution assets	(56,455)	(13,098)
Balance at end of the year	(261,361)	(320,190)
Comprising:		
Property, plant and equipment	(887,749)	(646,109)
Deferred income - Consumer Financed Projects	79,655	77,515
Unrealised exchange loss	99,193	112,195
Unrealised fair value gain on currency and interest rate swap	(198)	(65,559)
Others	25,681	6,834
Tax losses	422,057	194,934
	(261,361)	(320,190)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

29. DEFERRED TAX LIABILITY (CONTINUED)

Assessed/assessable tax losses as at 31 March 2020 is P3.3 billion (2019: P1.2 billion) and tax losses in Botswana have to be utilised within five years from the year of origination. As of 31 March 2020, the Corporation has carried forward interest claimable of P172 million (due to Section 41A limitation), which could be claimable within three years.

Corporation has not recognised deferred tax asset on following as management believes that the Corporation will not be able to generate adequate taxable income to utilise these before they fall away.

	2020 P'000	2019 P'000
Deferred tax asset not recognised on tax losses (years 2017 & 2018)	73,137	-
Deferred tax asset not recognised on interest claimable	25,732	-
	98,869	-

	Current		Non-current	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
30. BORROWINGS				
Borrowings at amortised cost				
Government of the Republic of Botswana (funded by Nordic Development Fund)	2,651	2,436	29,159	29,229
Industrial and Commercial Bank of China	544,384	489,828	4,870,023	4,871,800
	547,035	492,264	4,899,182	4,901,029
Currency analysis of borrowings				
Foreign currency denominated			5,446,217	5,393,293
Total borrowings			5,446,217	5,393,293
		<i>Interest Rate per annum</i>		
Government of the Republic of Botswana (funded by Nordic Development Fund)		0.75%	31,809	31,665
Industrial and Commercial Bank of China		Libor+ 160bps	5,414,407	5,361,628
			5,446,217	5,393,293
The borrowings are repayable as follows				
Up to 1 year			547,035	492,264
2 - 5 years			2,188,140	1,969,056
Later than 5 years			2,711,042	2,931,973
Total			5,446,217	5,393,293

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

30. BORROWINGS (CONTINUED)

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 36.

Movement during the year is as follows:

	2020 P'000	2019 P'000
Balance at beginning of the year	5,393,293	5,219,491
Repayments	(608,360)	(574,166)
Exchange loss/(gain) on borrowings	661,284	747,968
Balance at end of the year	5,446,217	5,393,293

31. CONSUMER DEPOSITS

Consumer deposits-non current	77,450	80,118
Consumer deposits refunds-current	2,618	2,752
	80,068	82,870

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.

32. TRADE AND OTHER PAYABLES

Trade payables and accruals	944,201	461,021
National Electricity Standard Cost levy payable to Government of Botswana	124,993	65,420
Reclassification from accounts receivable to accounts payable	48,175	79,536
Debt Service Reserve Account funded by Government of Botswana to comply with ICBC loan covenants	300,000	300,000
Contract Liability	32,672	27,773
Interest on borrowings	6,428	12,190
Payroll related accruals	53,531	43,946
Retentions	967,949	864,151
	2,477,949	1,854,037

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. Government of Republic of Botswana funded the account with P300 million while Botswana Power Corporation paid the balance of P48 million. On event of use of Debt Service Reserve Account to settle loan installment, Botswana Power Corporation is required to replenish the account within 2 working days.

The above liability refers to amount funded by Government of Republic of Botswana for this purpose.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

33. ADVANCES - CONSUMER FINANCED PROJECTS

Advances received from customers	1,497,640	1,386,640
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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.

34. PROVISIONS

	Coal off-take penalty P'000	Litigation claims P'000	Gratuity P'000	Early Exit package P'000	Total P'000
Balance at 31 March 2018	17,807	45,573	8,332	165,371	237,083
Provisions raised/reversed	12,131	18,440	14,826	138	45,535
Payments made during the year	-	(350)	(15,599)	(121,128)	(137,077)
Balance at 31 March 2019	29,938	63,663	7,559	44,381	145,541
Provisions raised/reversed	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

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.

Early exit package

As part of costs rationalisation, the Corporation has initiated a voluntary early exit exercise which has been approved by the Board of Directors for an amount of P165 million as the estimated cost of separation. During the year under review, P20.6 million payments were made and P23.8 million remaining provision was reversed as there were no more exits expected as the exercise wound up.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

35. LEASE LIABILITIES

	2020 P'000	2019 P'000
Carrying amount as at 1 April 2019	-	-
Implementation of IFRS 16	11,329	-
New Leases during the year	3,593	-
Interest Expense	961	-
Cash payments	(4,284)	-
	11,599	-
The weighted average incremental borrowing rate for lease liabilities initially recognised as of 1 April 2019 was 8% per annum.		
Non Current	7,982	-
Current	3,617	-
	11,599	-
Maturity analysis		
Year 1	4,408	-
Year 2	3,886	-
Year 3	2,779	-
Year 4	1,990	-
Year 5	196	-
Onwards	16	-
	13,276	-
Unearned Interest	(1,677)	-
	11,599	-
Amounts recognised in P&L		
Depreciation expense of right-of-use asset	3,977	-
Interest expense on lease liabilities	961	-
	4,938	-

36. OTHER FINANCIAL ASSETS AT FAIR VALUE

Financial assets carried at fair value through profit or loss (FVTPL)		
Balance at beginning of the year	855,225	418,163
Unrealised fair value gain/(loss) on the cross currency and interest rate swap	1,317	437,062
Balance at end of the year	856,542	855,225

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

36. OTHER FINANCIAL ASSETS AT 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	
	2020 %	2019 %	2020 %	2019 %
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:

	2020 USD'000	2019 USD'000	2020 USD'000	2019 P'000
Notional hedged amount	452,103	497,559	5,414,407	5,361,627
Loan balance (Note 30)	(452,103)	(497,559)	(5,414,407)	(5,361,627)
Over hedged amount	-	-	-	-

37. COMMITMENTS

37.1 Capital commitments

Authorised but not contracted	710,824	1,443,258
Authorised and contracted	-	47,000
	710,824	1,490,258

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

37.2 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	89,202	95,960
Later than one year but not later than 5 years	356,809	304,800
	446,012	400,760

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

	2020 P'000	2019 P'000
38. NOTE TO THE STATEMENT OF CASH FLOWS		
Cash generated from operations:		
Profit before tax	(1,518,379)	242,475
Interest income	(29,262)	(26,994)
Finance cost	261,743	275,055
	(1,285,898)	490,536
Adjustments for non-cash items:		
Depreciation of property, plant and equipment (Note 12)	585,374	525,584
Depreciation of right-of-use assets (Note 13)	3,977	-
Reclassification of maintenance expenses from opening balance	2,267	7,683
Fair value gain/(loss) on cross currency and interest rate swap (Note 10)	(84,079)	(511,812)
Amortisation of deferred income - consumer finance projects (Note 27)	(91,840)	(89,166)
Amortisation of future coal supplies (Note 13)	20,030	20,031
Unrealised exchange gain/loss on borrowings (Note 9.2)	661,284	747,968
Movement in provisions	48,105	(91,542)
(Profit)/Loss on disposal of property, plant and equipment	(488)	(754)
	(141,268)	1,098,528
Working capital changes:		
(Increase)/decrease in standard cost recovery - NESC	122,673	37,073
(Increase)/decrease in consumer loans - NESC	2,912	(4,101)
(Increase)/decrease in consumer loans - hire purchase scheme	2,666	(2,837)
Increase in consumer loans - rural collective scheme	6,266	4,126
(Increase)/decrease in trade and other receivables	31,947	120,404
(Increase)/decrease in inventories	29,091	(109,873)
(Decrease)/increase in consumer deposits	(2,802)	882
(Decrease)/increase in trade and other payable	623,912	294,636
(Decrease)/increase in advances - consumer financed projects	217,107	375,581
	1,033,772	715,891
Cash generated from operations	892,504	1,814,419

39. 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 (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

40. FINANCIAL INSTRUMENTS

40.1 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 2020.

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.

	2020 P'000	2019 P'000
Gearing ratio		
Debt	12,836,329	12,029,888
Cash and cash equivalents	(582,577)	(1,539,846)
Net debt	12,253,752	10,490,042
Equity	10,540,175	10,784,690
Net debt to equity ratio (%)	(116%)	(97%)
40.2 Categories of financial instruments		
Financial assets at amortised cost		
Investments at amortised cost	429,548	1,275,956
Loans and receivables (including cash and cash equivalents)	594,364	896,597
	1,023,912	2,172,553
Financial assets held at fair value through profit or loss	856,542	855,225
Financial liabilities at amortised cost	9,600,145	8,803,512
Financial liabilities at fair value through profit or loss	-	-

40.3 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.

40.4 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 36

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.5 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	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
Denominated in the following currencies:				
United States Dollar	5,414,407	5,361,628	398,755	41,896
South African Rand	-	-	5,079	483
Euro	31,810	31,665	4,325	1,508
	5,446,217	5,393,293	408,159	24,611

40.5.1 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.

	2020 P'000	2019 P'000
Increase in loss for the year	(25,190)	(26,747)

40.6 Interest rate risk management

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

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

40.6.1 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:

	2020 P'000	2019 P'000
Loss for the year would increase by	(25,190)	(21,940)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.7 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 17, 21 and 23. The most significant credit risk concentration of other financial assets are disclosed as follows.

		2020 P'000	2019 P'000
African Alliance	Non-investment grade	959	12,501
Stanbic Investment Management Services	Investment grade	162	42,109
Barclays Bank of London	Investment grade	29,560	25,931
Bank ABC	Non-investment grade	1,420	104,075
ABSA Bank of Botswana	Investment grade	155,644	254,663
Stanbic Bank Botswana	Investment grade	401,546	724,913
First National Bank Botswana	Investment grade	10,231	22,303
First National Bank Limited (South Africa)	Investment grade	-	341
Botswana Investment Fund Management	Non-investment grade	1,892	30,659
Standard Chartered Bank	Investment grade	10,723	278,282
Bank Gaborone		-	70,000
Total		612,137	1,565,777

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 inline with international rating agencies.

40.8 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 40.8.2 is the amount of undrawn facilities that the Corporation has at its disposal to further reduce liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.8.1 Liquidity risk and interest tables

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

	Up to 1 year P'000	2 to 5 years P'000	more than 5 years P'000	Total P'000
2020				
Interest Bearing	677,833	2,569,524	3,054,369	6,301,726
Non-interest bearing	4,064,879	77,450	-	4,236,590
	4,742,712	2,646,974	3,054,369	10,444,055
	Up to 1 year P'000	2 to 5 years P'000	more than 5 years P'000	Total P'000
2019				
Interest Bearing	617,366	2,352,363	3,306,523	6,276,251
Non-interest bearing	3,330,101	80,118	-	3,410,219
	3,947,467	2,432,481	3,306,523	9,686,470

40.8.2 Facilities

The Corporation has access to the following unutilised financing and overdraft facilities, of P100 million (2019: P100 million).

40.9 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.

40.9.1 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.

Fair value of the Corporation's financial assets and financial liabilities that are measured at fair value on a recurring basis.

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 (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.9 Fair value measurements (continued)

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

Financial assets	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
	2020	2019				
	P000	P000				
Cross currency and interest rate swap	Asset - 856,542	Asset - 855,225	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 36.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

	2020 P'000	2019 P'000
41. 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	13,200

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.

42. 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, Note 27 and Note 32.

	2020 P'000	2019 P'000
Remuneration of key entity personnel:		
Salaries and other short term employee benefits	9,593	10,510
Terminal benefits	1,729	4,692
Board fees	1,257	516
	12,579	15,718

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

43. 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 (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

44. 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 P600,000,000 (2019: P800,000,000), the Corporation has incurred an operating loss of P711,892,000 (2019: Profit of P727,979,000). Thus, it has not complied with all the requirements of financial provisions of the Act during the current financial year.

45. GOING CONCERN

Inclusive of a consumer tariff subsidy of P600,000,000 (2019: P800,000,000) provided by the Government of the Republic of Botswana, the Corporation has recorded an operating loss of P711,792,000 (2019: Operating profit of P727,979,000) and loss for the year of P1,403,095,000 (2019: Profit of P201,921,000). At 31 March 2020, the Corporation's current liabilities exceed its current assets by P3,407,958,000 (2019: P1,393,833,000). These conditions cast significant doubt on the Corporation's ability to continue as a going concern.

The Corporation's operating cash flow forecasts for financial year 2020/21 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) and is dependent on the Corporation being able to complete ongoing remediation works and subsequently operate its Morupule B Plant at expected capacity. Failure to generate electricity to plan will require the Corporation to import units from regional power suppliers. Such imports have historically been more expensive than internally generated units, placing significant strain on the Corporation's cash flows. 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.

The Ministry of Mineral Resources, Green Technology and Energy Security recognises that due to among other issues, Corporations' tariffs are yet to reach cost recovery levels, thus Corporation's financial position continues to detract from its ability to finance its operations on a sustainable basis. Further, it has confirmed 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 particularly as a result of COVID-19 adverse effects. In pursuit of this commitment, the Government of the Republic of Botswana has allocated P500Mn towards mitigation for the Corporation's financial shortfall for the financial year 2020/2021. 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 2020/21 financial year), approval of tariff increases in excess of domestic inflation rates (including an increase to 125.23t/Kwh from 105.23t/Kwh approved for the 2020/21 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.

46. EVENTS AFTER THE REPORTING PERIOD

In late March 2020 Botswana confirmed domestic cases of COVID-19, a new strain of the coronavirus. Prior to this, the public health response to the COVID-19 pandemic in other countries led to business interruptions, economic turmoil and severe stock market losses. To aid in combatting the spread of the virus in Botswana, on the 31 March 2020, His Excellency President Mokgweetsi Masisi announced a six month national State of Emergency and a national lockdown –including “stay-at-home” orders and significant restrictions on business activity and movements, which commenced on 3rd April 2020. The Corporation has also considered as to how the impact of COVID19 pandemic has affected the day today operations and revised cashflow projections are made for the period from April 2020 to June 2021 with anticipated results and the approved tariff subsidy for the financial year ending 31 March 2021 of P500million. Based on the outcome of these forecasts, and after considering available liquid resources, the Corporation concluded that whilst the COVID-19 pandemic and related economic disruption may result in business disruption, it has sufficient liquid resources to sustain itself as a going concern for a period of no less than twelve months from the year-end.

The Members of the Board are not aware of any other matters other than those mentioned above or circumstances arising since the end of the financial year, not otherwise dealt with in these financial statements that would have a significant impact on the financial position of the Corporation or the result of its operations.

