

# **Key Business Terms & Ratios**

### **Borrowings/Debt**

All interest bearing liabilities.

### **Operating Profit**

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

### **Total Liabilities**

Non-current liabilities and current liabilities.

### **Current Ratio**

Current assets divided by current liabilities.

### **Cost of borrowing**

Finance costs expressed as a percentage of average total debt.

### **Liquidity Ratio**

Current assets less inventory divided by current liabilities.

### **Gearing Ratio**

Total debt as a percentage of capital employed.

### **Gross Margin**

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

### **Interest coverage Ratio**

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

### **Net Margin**

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

### Return on property, plant and equipment

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

### **Earning to irredeemable capital**

Net profit expressed as a percentage of irredeemable capital.

### **Return on operating assets**

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

### **Return on investments**

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

### **SHER**

Safety, Health and Environment Risk.

### **System losses**

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

#### **PPA**

Power Purchase Agreement.

Southern African Power Pool.

### Return on total average assets employed

Operating profit relative to its total average net assets.

### **Earnings to irredeemable capital**

Operating profit expressed as a percentage of irredeemable capital.

### Operating profit/loss to revenue

Operating profit or loss expressed as a percentage of revenue.

### Return on revalued property, plant and equipment

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

#### **EBITDA**

Earnings before interest, taxes, depreciation, and amortisation.



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### **Bankers**

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# EMBRACING Sustainable Energy Solutions

BPC's commitment to sustainability goes beyond lip service.

The Corporation is making great strides towards embracing sustainable energy solutions. These aspirations are clearly embedded in Maduo26 strategy and the National Integrated Resource Plan, The Shareholder, Board and Executive Management of Botswana Power Corporation are steadfast in their commitment to deliver and to have a future-focused energy supply mix.

The 2023 Integrated Report, under the theme "Embracing Sustainable Energy Solutions" illustrates all the work that has been done to reduce the country's carbon footprint and outlines the existing plans that will see the Corporation be the driving engine of Vision 2036's Sustainable Environment Pillar.









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# **About our Report**

### **INTRODUCTION**

This is the Corporation's inaugural Integrated Annual Report. The purpose of this report is to provide a comprehensive and holistic view of BPC's performance, which goes beyond just financial results. This report serves as a fundamental communication tool to shareholder, the Government of the Republic of Botswana, and other stakeholders. The Integrated Report will provide a balanced representation of the strategic, financial. environmental, and governance aspects of the Corporation, illustrating how we create value through our six capitals.

### REPORTING BOUNDARY AND FRAMEWORKS

This report covers the performance of Botswana Power Corporation for the year ended 31 March 2023.

This report focuses on the strategic risks and opportunities within our operating environment to determine material matters on which to report.

Our reporting approach has been guided by the principles under the International Financial Reporting Standards (IFRS), the Integrated

Reporting Council's Framework, the Report on Corporate Governance for South Africa 2016 (King IV) and Botswana Power Corporation Act (Chapter 74:01).

### **MATERIALITY**

The Integrated Report unveils and discusses those matters that the Corporation has determined as significantly affecting its ability to create value as well as execute its mandate and strategy in line with the Power Corporation Act.

Material matters were identified from the internal performance reports, strategy review processes and risk management reports. An analysis was made on these matters with respect to their impact on the Corporation's ability to fulfil its mandate and strategic objectives.

### **FORWARD-LOOKING STATEMENTS**

This report covers forward-looking statements concerning Botswana Power Corporation's anticipated performance and prospects. These statements represent our judgements and future expectations. The forward-looking statements are vulnerable to risk and uncertainties hence actual performance may differ materially from projections, and no assurance can be made on the information.

#### **ASSURANCE**

The Executive Management and Board are responsible for ensuring the integrity and completeness of the Integrated report.

PricewaterhouseCoopers has audited the financial statements for compliance with IFRS and their report is on page 141. Botswana Power Corporation uses a combined assurance model which has three lines of defence. The Audit and Risk Committee and Board rely on combined assurance in forming their view of the adequacy of our risk management and internal controls.

### BOARD RESPONSIBILITY AND APPROVAL

The Board, with assistance from the Audit and Risk Committee, is accountable for the integrity and completeness of the integrated report and any supplementary information. The Board has reviewed the integrated report and has concluded that it is presented in accordance with the International <IR> Framework.

Approved on behalf of Board and Executive Management:

1

**Board Chairperson** 

Chief Executive Office



# Our Six Capitals

Our Integrated Annual Report highlights and identifies its six components of capital which are fundamental in creating value and as well as driving the achievement of strategic objectives on a short-, medium- and long-term basis.

Manufactured



Our generation, transmission and distribution infrastructure form the backbone of our strategy to fulfil our mandate

**Financial** 



Prudent use of our finances to drive our strategic objectives particularly to attain sustainability

Intellectual



Optimising the use of knowledge management systems, innovations, and employee expertise to deliver our mandate

Human



Effectively deploying the skills and competencies of our human resource base

Social and Relationship



Creating sustainable value through community outreach in the areas where we operate and harnessing value through stakeholder engagements

Natural



Unleashing the best out of our natural resources in a sustainable manner to deliver our mandate







### SDG 3 - Good Health and Wellbeing

The Corporation's employee health and wellness programme strives for the attainment of a work life balance amongst its employees. The provision of primary health care and occupational health services at the two power stations' clinics reinforces the significance of a healthy workforce. BPC's Wellness section provides an array of wellness services which among others are curative, psychosocial, spiritual, physical, and economic services.



### **SDG 4 - Quality Education**

Over the years, the Corporation has proven to be a responsible corporate citizen by collaborating and sponsoring different communities across the country with the intention of enhancing education and addressing challenges facing some of the communities in which it operates.



### **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 has found that empowering women spurs productivity and economic growth. To this end, the Corporation fosters gender diversity by ensuring equal access and opportunity to current and prospective female employees.



## SDG 7 - Affordable and Clean energy

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

- Rural Electrification Programme
- Village Electrification Programme (VEP)
- Solar PV Development.



### SDG 8 – Decent Work and Economic Growth

The Corporation has heeded the call by the government to promote citizen economic empowerment and upscale job creation. BPC does not only provide quality jobs, it also supports local businesses and entrepreneurs.



### SDG 12 - Responsible Consumption and Production

BPC continues to make strides in upholding the safety of its employees and service providers, while making every effort to protect the biophysical environment within which it operates. As such, the Corporation has aligned its operational model to ISO14001 (Environmental management systems) and ISO 45001 (Occupational Health & Safety) which are international best practice.





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# **About BPC**

Botswana Power Corporation (BPC) was formed in 1970 through an Act of Parliament and is responsible for the generation, transmission and distribution of electricity within Botswana to areas approved by the Ministry of Minerals and Energy.

BPC is regulated by the Botswana Energy Regulating Authority (BERA). From April 2021, the Corporation implemented its five-year transformation strategy, Maduo26, to ensure that BPC becomes a financially self-sustaining entity and a regional benchmark in electricity supply."





# **Our Mission**

We power the economy with pride by supplying reliable, safe, competitive, and sustainable electricity. It defines our fundamental reason for existence and espouses our overall intention in the next five years.



### **Our Vision**

TO BE A REGIONAL BENCHMARK IN ELECTRICITY SUPPLY.

BPC will be a self-sufficient utility that supplies competitive and reliable power from diversified energy sources, with excess power to export.



# Our Core values

Our values represent the attitudes, behaviours, and characters that will create an enabling environment for the successful execution of our strategy.



### **Team Player**

A collaborative working environment that values information sharing.



### **Ethical Conduct**

Ensuring Integrity, Transparency and Fairness through zero tolerance for stealing, acceptance of bribes and/or corruption.



### **Passion for Excellence**

Achieving operational excellence by constantly improving the quality of our products and services, being results oriented, along with creating an innovative culture that challenges the status quo.



### **People First**

Valuing Employees, Customers and the Communities we serve.



#### **Zero Harm**

No person will be harmed by our operations. No equipment will be damaged. We will not degrade the environment. We will report unsafe acts and near misses.





The priorities for the Maduo 2026 Strategy are to:

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

- Increase Generation Capacity
- Increase renewable contribution in the energy mix.

The intent of the new Strategy is to put our people first, achieve zero harm, consistently and sustainably be profitable, improve customer experience, provide affordable tariffs to our customers, and generate excess power for export.

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

These efforts will result in:

- 1. Reduced turnaround times for restoration of faults
- 2. Shorter times for new connections
- Improved reliability of power supply
- Service delivery through digital platforms.

Maduo26 will bring about exceptional customer experience.

# **Our Value Creation Model**

### INPUTS

### **FINANCE**

- > P600 million Tariff Subsidy
- > P88.8 million Government Rural Electrification and Transmission funding

### **INFRASTRUCTURE**

- > 732 MW Thermal Power Installed Capacity
- > 160 MW Diesel Power Installed Capacity
- > 4 000 Km Power Cables and Lines

### **ENVIRONMENT**

- > Coal Burnt: 2 101 072 tonnes
- > Demin Water Usage: 0.12 tonnes/MWh

### **PEOPLE**

- > Headcount: 1910 employees (as at 31 March 2022)
- > Training Spend: P5.176 million

### **RELATIONSHIPS**

- > CSI Spend: P400 000.00
- > Rural Electrifications: 33 Villages

### **INTELLECTUAL (KNOW-HOW)**

- > Trades/Industry training: 43 employees
- > Implementation of Generation Skills Development Strategy

### Sourcing of Primary Raw Material

Primary raw materials such as coal, water, limestone, bicarbonate of soda and diesel are sourced from strategic partners to kickstart the production process.



# 1

# Power Generation (Natural)

COAL: Attain self sufficient Power Supply by generating electricity through coal.

FUEL: Augment Coal plants through fuel generated plants to improve availability during peaking hours/ emergency period.

### Load Management System

The system is used to schedule loads to reduce the electric energy consumption and or the maximum demand.

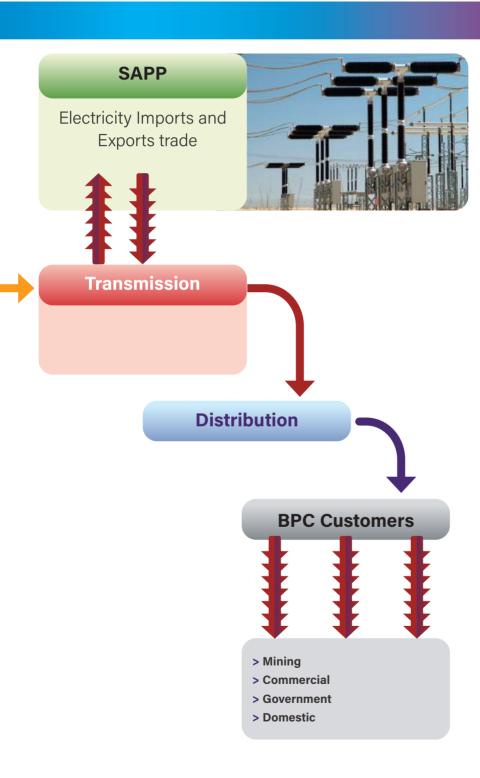
### **Renewable Energy**

Solar Plants (Independent Power Producers and Roof top Solar)



Natural





### **OUTPUTS**

### **FINANCE**

- > P5.3 billion revenue
- > (P57.5 million) EBIT
- > P884.8 million Debt and Interest repaid

### **INFRASTRUCTURE**

- > 63% Morupule B performance
- > SAIDI at 3.49 minutes
- > SAIFI at 0.04

### **ENVIRONMENT**

- > Morupule B SOX 722 mg/Nm3
- > Morupule B NOX 201 mg/Nm3

### **PEOPLE**

- > Head count: 2110 employees (as at 31 March 2023)
- > Lost time injury rate of 0.13
- > Payroll Expense P851 million

### **RELATIONSHIPS**

- > CSI Beneficiaries includes education, health & sports
- > 13 891 customers Connections
- > Connection fees for disadvantaged reduced from P5000 to P2500 per connection
- > 0 days loadshedding

### **INTELLECTUAL** (KNOW HOW)

- > Employee Engagement level 70%
- > New appointments: 200 employees



BPC views its material risks through the following distinct categories being Strategic, Financial, Professional, Reputational and Projects.

### Strategic Risk

The risks and uncertainties are affected by internal and external events or scenarios that could inhibit BPC's ability to achieve its strategic objectives.

### **Operational Risk**

Risks of direct or indirect losses or loss of service delivery resulting from inadequate systems or processes or methodologies, management responsibility failure, inadequate or inappropriate controls, fraud, and/or human errors/actions.

### **Financial Risks Credit Risk**

Risks that a counterparty or clients not fulfilling their financial or contractual obligations or not delivering suitable value when due i.e. treasury investments that mature.

### **Market Risk**

Risks that changes in financial market variables such as market prices or foreign exchange or interest rates will negatively affect, impair, or reduce the general realisable value of a portfolio or investment or financial instrument.

### **Liquidity Risk**

Risks that BPC may have insufficient funds or marketable securities available or access to suitable funding to timeously fulfil its cash flow obligations.

### Managerial/ Professional Risks

Risks of BPC failing to meet its mandate and/or its goals and objectives due to lack of critical skills capacity.

### **Reputation Risk**

Risks of damaging or impairing BPC's image or that of the shareholder, Board of Directors, Chief Executive Officer, Directors, Senior Management, Management and/or employees due to actions, non-actions, and/or inappropriate actions with negative implications.

### **Project Risk**

Risks of exceeding budgets, projects not meeting key objectives, critical path deadlines, outputs, responsibilities, and/or intended requirements/results.



# **BPC Key Strategic Risks**

For the year under review, the identified material risks were mitigated as follows:

- Weak liquidity was bolstered through improved debt collection, internal generation and cost management. The Board also approved balance sheet restructuring of debts to ease cashflow strain. It is anticipated that these will be implemented in 2024.
- Inadequate power generation due to delays in remediation and machinery failure leading to the security of power risk (MBPS) was mitigated through the implementation of generation turnaround strategy which entails engaging vastly experienced personnel and subcontractors to run operations and maintanance. Morupule B performance improved from 36% in prior year to 63%.
- 3. Inability to access an alternative source of funding (over-indebtedness) was alleviated through our annual engagement with Moody's to obtain a favourable credit rating before listing any bonds in financial markets. In addition, we secured Government financial support

- until the Corporation's liquidity is sustainable and received the Government's commitment to financing the annual forecasted shortfall.
- 4. Diversification of power generation to ensure an energy mix for the Corporation was executed by inviting suitably qualified service providers to supply solar PV to ensure there is an adequate power mix in line with the Maduo strategy.
- Lack of business continuity management was mitigated through a comprehensive review of the BPC Disaster Recovery Plan along with the development and implementation of Business Continuity Plans.
- To improve our talent attraction and retention, BPC aligned its pay structure with the remuneration policy to ensure market competitiveness. We also implemented the Attraction and Retention Strategy, as well as the Succession Plan.
- 7. Negative impact on key strategic projects due to the impact of external factors was alleviated through updating the supply database with local suppliers, increased insourcing of services, along with identification of alternate suppliers of key materials and components.

- 8. Under-investment in transmission and distribution infrastructure development in line with the demand growth led to inadequate network capacity in the medium to long term. BPC mitigated these risks by developing and implementing sound term network plans based on up-to-date demand forecasts. These were coupled with a comprehensive transmission and distribution maintenance plan and maintenance management system. Urgent measures to restore critical out of service equipment on the transmission arid and address maior bottlenecks on the distribution network were put in place.
- 9. Cyber Security Risk was improved through the installation of antivirus software on all workstations and servers, backing up all drives and confidential data at diverse locations, maintaining patch updates at regular intervals, installation of file and system integrity monitoring software on all systems, maintenance of data security compliance policies, use of email and endpoint protections, and adoption of a stronger password system.







# **Key Annual Statistics**

for the year ended 31 March 2023

	2022	2022	2024	2020	2040	2040	2047	2046	2045	2044
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total unit sales (GWH)	3,783	3,404	3,201	3,321	3,294	3,336	3,349	3,479	3,495	3,449
Total generation (sent out) and imports	4,425	4,022	3,774	3,997	3,925	3,844	3,928	4,043	4,024	3,704
Staff Establishment	2,077	1,916	1,923	1,870	1,667	1,946	2,106	2,117	1,964	1,922
Total consumers	571,055	547,277	519,212	491,627	463,250	434,795	410,409	386,024	367,003	343,050
Plant capacity Morupule B (MW)	600	600	600	600	600	600	600	600	600	600
Plant capacity Morupule A (MW)	132	132	132	132	132	132	132	132	132	132
System maximum demand (MW)	661	627	626	561	587	549	586	595	610	572
Average selling price per unit (Thebe/kWh)	127	128	126	104	105	94	84	82.1	72.5	65.5
Average cost per unit (Thebe/kWh)	159	159	140	170	123	114	142	155	149	107
Operating Results (P'000)										
Total Revenue	4,531,368	4,336,165	4,023,057	3,398,553	3,363,144	3,009,561	2,768,846	2,857,161	2,533,578	2,260,196
Net Operating Expenses	5,188,927	5,244,705	4,053,905	4,710,445	3,435,165	3,308,743	4,207,982	4,851,042	4,519,671	3,586,058
Operating Profit/(loss) before Revenue Grant	(657,559)	(908,540)	(30,848)	(1,311,892)	(72,021)	(299,182)	(1,439,135)	(1,993,881)	(1,986,093)	(1,325,862)
Revenue Grant from the Government of Botswana	600,000	500,000	500,000	600,000	800,000	1,457,000	1,667,500	2,321,360	2,326,800	1,488,000
Operating profit/(loss) after Revenue Grant	(57,559)	(408,540)	469,152)	(711,892)	727,979	1,157,818	228,365	327,479	340,707	162,138
Net Profit/(Loss)	(498,320)	(650,380)	(384,134)	(1,403,095)	201,921	674,108	(140,247)	(99,613)	(274,905)	114,053
Capitalisation (P'000)										
Long term debt	4,147,584	4,134,675	4,537,060	5,446,217	5,393,293	5,219,490	6,215,308	6,953,734	6,743,406	6,330,541
Net assets	15,497,282	15,111,307	12,258,638	10,540,175	10,784,690	9,644,289	6,550,883	5,030,983	4,546,958	4,758,887
Capital expenditure and WIP	484,416	661,347	759,871	1,887,696	1,023,771	1,468,046	1,818,737	1,052,189	358,218	423,346
Electricity (GWh) Source										
Morupule A	552	548	672	425	27	28	0	0	0	0
Morupule B	3328	1903	1637	1697	3200	3399	2994	2604	2795	2038
Station usage	488	318	291	265	403	428	374	326	410	292
Emergency Generation	33	91	94	54	0	5	11	86	64	175
Sent out	3426	2223	2112	1910	2824	3004	2631	2365	2449	1921
Purchased	1000	1798	1662	2087	1101	840	1297	1679	1575	1783
Total sent out and purchased	4425	4022	3774	3997	3925	3844	3928	4043	4024	3704



	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Sales disposition (GWh)										
Mining	806	734	596	640	669	676	837	1114	1194	1197
Commercial	1212	1107	1059	1167	1132	1149	1107	1087	1059	1028
Domestic	1257	1256	1226	1161	1091	1065	1022	955	941	927
Government	289	294	317	311	316	319	314	323	301	297
Southern African Power Pool	218	152	42	86	127	70				
Total sales	3783	3404	3201	3321	3294	3336	3349	3479	3495	3449
Transmission and distribution										
Losses (GWh)	642	617	573	676	632	509	579	564	529	255
System losses (%)	14.51%	15.35%	15.18%	16.91%	14.00%	14.89%	16.29%	15.18%	14.64%	7.47%
Total consumers	571,055	547,277	519,212	491,627	463,250	434,795	410,409	386,024	367,003	343,050
Sales growth (%)										
Mining	10%	23%	(7%)	(4%)	(1%)	(19%)	(25%)	(7%)	(0.2%)	6%
Commercial	10%	4%	(9%)	3%	(1%)	4%	2%	3%	3%	5%
Domestic	0%	2%	6%	6%	2%	4%	7%	2%	1%	1%
Government	(1%)	(7%)	2%	(1%)	(1%)	2%	(3%)	7%	1%	5%
Total sales (decline) growth	11%	6%	(4%)	1%	(1%)	0%	(4%)	0%	1%	4%
Earning ratios (%)										
Net margin	(11.0%)	(15.0%)	(9.5%)	(41.3%)	6.0%	22.4%	(5.1%)	(3.5%)	(10.9%)	5.0%
Earnings to irredeemable capital	(0.5%)	(4.2%)	5.1%	(7.6%)	8.4%	14.7%	3.6%	7.0%	8.3%	4.0%
Return on total average assets employed	(1.7%)	(2.6%)	(1.6%)	(6.0%)	0.9%	3.2%	1.2%	1.8%	2.0%	1.0%
Operating Profit/(loss) to revenue	(1.3%)	(12.6%)	11.7%	(20.9%)	21.6%	38.5%	8.2%	11.5%	13.4%	7.2%
Return on revalued Property, Plant and Equipment (%)	(0.2%)	(2.4%)	2.2%	(3.4%)	3.8%	6.2%	1.4%	2.1%	2.3%	1.1%





# LEADERSHIP

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To ensure rigorous adherence to governance strateav processes, the Corporation has been diligently conducting regular with performance reviews the Board, management, and within the various levels in the organisation. These ongoing assessments are integral to our commitment to continuous improvement and enable the Corporation to respond swiftly and effectively to both internal and external challenges that may impact our strategic objectives. Of note, the Corporation has seen an improvement in its digital transformation strategy, as well as Asset Care and Management strategies, with improved Morupule B Power Station remedial works.

To refine the Maduo26 Strategy, the continuous assessment included the introduction of a new objective: "P7 - Increasing the Proportion of Renewables in the Energy Mix." This addition reflects the evolving dynamics in the energy sector, as we strive to strike the right balance between reliance on natural energy sources and our commitment to decarbonisation.

# CORPORATE GOVERNANCE

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

To meet requirements of the and continuous development upskillina of Board members, opportunities for training have been identified in several areas, including the technical areas of power generation and transactions, such as Power Purchase Agreements (PPAs) formulation as well as in tariff formulation.

The priority for the Board for 2022/23 was to ensure the Corporation improved generation Morupule A and B power stations and prioritised Morupule B remedial works. To ensure the Board remains diligent in their duties, the Corporation engaged a qualified management consultant to assess the Board during the year under review in a bid to ensure that board performance, efficiency, and effectiveness were measured. The Board has collectively been accountable and enabled the Corporation to achieve organisational success.

### STRATEGIC OVERVIEW

In its effort to achieve the Maduo26 strategy, the Corporation embarked on different initiatives in its endeavour to become a regional benchmark in energy supply.

### Customer and Stakeholder Initiatives

The Corporation undertook outreach activities to educate the public on various matters of its operations through different platforms. The common issues were electrical safety, energy efficiency, vandalism, and theft, Tip-Off Anonymous, National Electricity Standard Connection Cost for low-income households, applicable tariffs, the newly introduced Split Smart Meters, and the Rooftop Solar program.

Zero harm is key to the Corporation, in this regard BPC strives to have no person (employees and the public) harmed by our operations, that no equipment or environment is damaged and strives to prevent loss of life. Therefore, the Corporation through various media platforms embarked on a Safety Communication to sensitise the public about the safe use of electricity. Some of the notable activities include the dissemination of information.

### Chairman's Remarks [continued]

### **Corporate Social Responsibility**

BPC continues to share love and show compassion to different communities in need. Through its Corporate Social Responsibility (CSR) mandate, the Corporation has transformed the lives of school children, youth, the elderly, women, and those involved in sporting activities. The Corporation made contributions to the improvement of basic education, health, and wellness through funding of beneficiary groups and individuals.

### **Internal Processes Initiatives**

During the year, the Corporation successfully upgraded its Supervisory Control and Data Acquisition system (SCADA) to enable remote control and monitoring of the power system. The main SCADA system project has been completed and was handed over for operation in April 2023, and the remaining component of the project, the Distribution Maintenance System (DMS) elements will be completed by the end of 2023.

### **Learning and Growth Initiatives**

Employee Learning and Development continues to be an integral part of the Corporation's strategic agenda. In an effort to drive the Maduo26 strategic pillar of attracting, retaining, and developing employees, the Corporation continues to capacitate and build employee competencies and skills. The total number of employees trained by the Corporation during the 2022/23 financial year totals 1165, of whom 634 were trained internally and 531 externally.

# SHER (Safety, Health, Environment, and Risk)

Management has embarked on accelerated efforts to implement strategies that aim at curbing injuries, improving environmental conditions, and enforcing compliance to the Corporation's SHE (Safety, Health, and Environment) requirements. Comprehensive investigations were conducted for incidents and corrective and preventive action plans were developed and implemented. Key focus areas included the review of safety documents to align with the BPC Mechanical and Electrical Safety rules, enhance line management visibility, and replacement of old equipment across the Corporation. BPC has observed a tremendous reduction in recordable injuries over the years since the inception of Maduo26.

The Back-To-Basics safety campaign was launched across the Corporation in October 2022 as a process intervention that aimed to accelerate the Zero Harm journey towards operational efficiency and to build a world-class organisational SHE culture. The intervention also highlighted critical management and operational controls that are commonly overlooked and often taken for granted to guard against any potential accidental loss.



# OPERATIONAL PERFORMANCE

During the financial year 2022/2023, the Corporation implemented a aeneration turnaround strateav parallel to the Morupule B plant defects remediation project. This outsourcing generation included expertise to run the power plant whilst at the same time upskilling the generation team. As a result, Morupule B power station's energy availability factor improved from 36% in the prior year to 63% in 2023. The performance of Morupule B power station is critical to the profitability of the Corporation as it reduces power import expenditure, and as a result, BPC recorded an operating loss of P57 million compared to a loss of P408 million in the prior year.



### **CULTURE**

The 2023 financial year saw a marginal movement in the human capital resourcing plan as the Corporation continued to recruit and retain competent employees. In line with our People First Value, the Corporation's established employee health and wellness program seeks to promote a work-life balance culture amongst its employees. The provision of primary health care and occupational health services at the two power station clinics reinforces the significance of a healthy workforce.

### **RISK MANAGEMENT**

In our endeavour to improve BPC risk maturity level, several projects have been initiated to be fully implemented in the 2023/24 financial year. Key activities identified for implementation during the 23/24 financial year include:

- BPC Risk Assurance Framework review to be in line with the latest trends and standards
- Insurance Structure review with the intention of producing an alternative risk solution
- Implementation of Business Continuity Management in line with changes in the structure.

### **APPRECIATION**

I would like to thank our Shareholder (the Government) and all stakeholders for continuing to support and entrust us with the mandate to become a regional benchmark in energy supply. This mandate is becoming even more critical as the Government embarks on a mindset change strategy to drive transformation and foster a collective shift in attitudes and perspectives. The Corporation looks forward to continuing to play a critical role in supporting the Government's Integrated Resource leading the Corporation, despite the occasional challenges we encounter.

Finally, on behalf of the BPC Board of Directors and the EXCO team, I wish to offer my gratitude to the BPC employees for their contribution during the year as the Corporation continues to work hard to achieve the objectives of Maduo26, in becoming a regional benchmark in energy supply.



**Professor Oboetswe** Motsamai Chairperson







### **Board Members Profiles**



### **Professor Oboetswe Motsamai** Chairperson

Professor Motsamai is a Mechanical and Aeronautical Engineering Professor at the University of Botswana, Department of Mechanical Engineering. Professor Motsamai graduated with a BEng. in Mechanical Engineering from the University of Botswana in 1996 and holds a MSc. degree in Thermal Power and Fluids Engineering from the University of Manchester Institute of Science and Technology (UMIST). He received a PhD in Mechanical and Aeronautical Engineering from the University of Pretoria in 2008 and got a Golden Key International Award for excellence in research. He started his career in engineering with Kentz Botswana, and later worked for G4 Consulting Engineers, before joining UB.

He has served the University of Botswana in many high-level committees, that is: HOD, SENATE and FAPRAC. He also served in the Advisory Board for Botswana College of Engineering and Technology. He served committees and assignments, and has also previously assisted CEDA, LEA and other companies in engineering related projects.



### Mr Moleko Majaha Member

Mr. Majaha is an Engineer with over currently holds the position of Head of Engineering and Asset Management at Debswana Diamond Company and has worked for the same company since 1994.

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





Mr Mothusi Obateng
Member

Mr. Obateng holds a Bachelor of Accountancy degree from the University Botswana and has amassed his professional experience from various industry giants such as First National Bank of Botswana (FNBB), and PricewaterhouseCoopers. He is currently employed at BancABC as the Money Laundering Reporting Officer Manager. During his tenure at FNBB, his previous employer, he was an AML Specialist Manager and worked there from 2015 to 2020.

He also worked as Principal Anti-Corruption Officer at DCEC from 2008 to 2015; Internal Auditor at Botswana Postal Services from 2006 to 2008; and External auditor at PricewaterhouseCoopers from 2003 to 2006. Mr. Obateng is a member of the Botswana Institute of Accounts, and ACCPA.



Pelaelo Khowe Member

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

He previously amassed his experience from Botswana Meat Commission as a Group Management Accountant; Technoserve Botswana as Head of Finance and Administration; Botswana National Youth Council as Director of Finance and Admin; LEA as Financial advisor; and UPENN Partnership in various leadership roles.Mr. Khowe holds a Master of Business Administration and is a fellow certified Chartered Accountant. He is a registered member of the Botswana Institute of Bankers.



Mr Moreri Sebonego Member

Mr. Sebonego is a seasoned Attorney with over 20 years of experience. He is currently a Partner at Busang Sebonego & Co Attorneys. He graduated with a Bachelor of Laws degree from the University of Botswana in 1997 and gained experience from Lesetedi and Company Attorneys; Seretse Attorneys; Moupo Motswagole and Dingake Attorneys; Matlho Attorneys; and subsequently Botswana Housing Corporation before he eventually settled at Busang Sebonego & Co Attorneys in 2003. Mr. Sebonego is a member of the Law Society of Botswana, and a member of the South African Black Lawyers Association.

### **Board Members Profiles**



**Mr Robert Akanyang** Member

Mr. Akanyang is a Quantity Surveyor who graduated in 1997 from the University of Reading, UK, with a Bachelor of Science degree. He has over 20 years of experience in the quantity surveying market.

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

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

Mr. Akanyang has held the Chairman position of the Institute of Botswana Quantity Surveyors and was an executive member of the Association of African Quantity Surveyors. He is currently the founding Director of Akanyang Skinner Associates (Pty) Ltd, a registered Company that provides quantity surveying services.



Ms Cheryl Rabashwa Member

Ms. Rabashwa is a Human Resources professional with 15 years of experience in mining and financial services industry environments. She holds a Diploma in Business Administration in Human Resources Management from the Cambrian College, Canada. She subsequently gained her experience from Debswana Diamon Company where she eventually worked as Chief Industrial Relations Officer.

She also amassed her experience from FNBB where she eventually worked as Senior Compliance Officer and later worked as Senior Key Accountant Manager at PricewaterhouseCoopers. Ms. Rabashwa is currently an Associate Consultant at People Facts (Pty) Ltd, an emerging remuneration and human capital consulting company.



Mr Phodiso Valashia Member

Mr. Valashia is a widely experienced executive management officer and trade facilitation and customs expert, with over 20 years of experience. He holds a Master of Customs Administration and Law from the Munster University, Germany, and a Bachelor of Arts (Economics) degree from the University of Botswana.

He sits as a Board Member of the Botswana Competition Authority and has since 2012 sat as a member of the Botswana Unified Revenue Service (BURS) Executive Committee, Mr. Valashia is currently the Commissioner of Operations at BURS and is, inter alia, responsible for all tax and customs operations of the Organisation.



## Lilly Sullivan *Member*

Ms. Sullivan is an ICT professional with over 25 years of experience in the Telecoms industry, 14 of which she has spent at Senior/ Executive Management Level. She holds a Master of Business Administration from the University of Warwick, UK. She has qualifications in BTEC HND Electronics and Communications Engineering from Cable and Wireless College, UK; Advanced Risk Management from the University of Cape Town, South Africa; and Executive Development Program, Wits Business School, South Africa.

Ms. Sullivan has held the position of Vice Chairperson at HRDC in the ICT sub-committee, and her professional memberships include Information Systems Audit and Control Association, and Business Continuity Institute. She is currently in the employ of Mascom Wireless since 2009, and currently holds the position of Chief Information Officer.





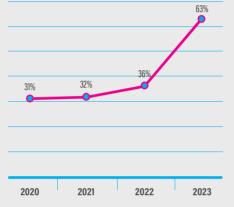
Despite some challenges, BPC has consistently provided uninterrupted electricity supply throughout the year. The generation turnaround strategy implemented at the end of 2022 vielded a plant energy availability factor (EAF) of 63% for the Morupule B 600MW Power Station (MBPS), a significant improvement compared to previous years when the EAF averaged 33%. The constrained power supply situation will continue to prevail over the next two to three years as we increase generation capacity and strengthen the power grid. However, our dedicated team at BPC is well-prepared to manage challenges to ensure adequate power supply to all sectors of the economy.

The Corporation, with Government support, is committed to successfully implementing the national Integrated Resource Plan (IRP), focusing on integrating green energy supply into Botswana's energy mix to preserve the environment that supports our lives and future generations.

## OPERATIONAL AND FINANCIAL HIGHLIGHTS

During the 2023 financial year, BPC implemented the generation turnaround strategy alongside the MBPS defects remediation project. This included outsourcing generation expertise to manage the generation fleet while concurrently upskilling our internal generation team. As a result, Morupule B's energy availability factor improved from 36% in the previous year to 63% in 2023.

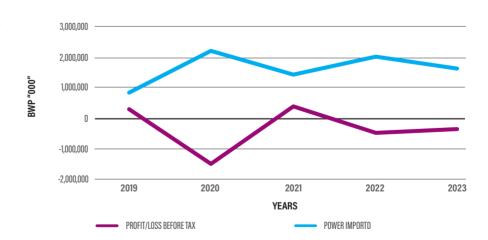
#### **MORUPULE B. Perfomance Trends**





Operating losses significantly decreased during the reporting period to P57 million, compared to the P408 million loss recorded in 2022 due to power import expenditure. This highlights the critical role of Morupule B's performance in enhancing the Corporation's profitability.

#### **Profit/Loss before Tax vs Power imports**



## **Chief Executive Officer Statement** [continued]

Total revenue for the year was P4.531 billion, a 4.5% increase from P4.336 billion in 2022, driven by higher demand from the mining sector. Other Operating Income, which includes, among other things, surplus electricity exports through the Southern African Power Pool (SAPP) electricity market, totalled P172.091 million, a 139% increase from P71.825 million in the previous year, primarily due to improved Morupule B performance.

Total Operating Expenditure for the year was P5.361 billion, up 0.84% (P44 million) from 2022's P5.316 billion. The Total loss after tax for the year was P364 million, compared to a loss of P650 million in 2022, which is a significant improvement.

Total Non-Current Assets, net of depreciation, increased by 4% (P997 million) to P27.811 billion from P26.813 billion in 2022, mainly due to a P899

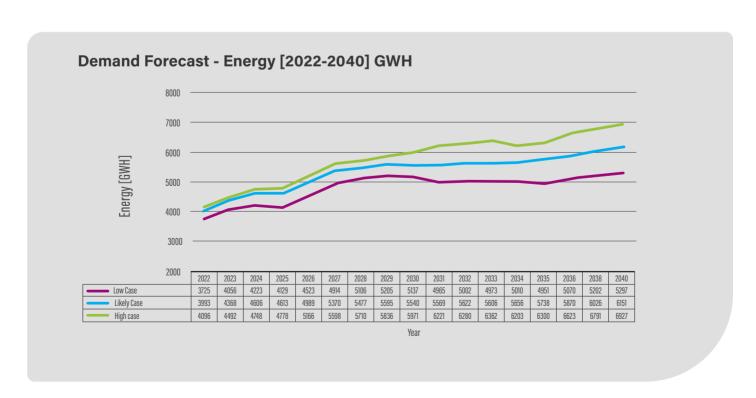
million revaluation adjustment of generation, building, transmission, and asset values reflecting increased market values of non-ferrous metals such as copper and aluminium, key components of our electrical assets.

Current Assets increased by 4% from P1.463 billion to P1.511 billion. Shareholders' equity (Capital and Reserves) was reported at P15.497 billion, up 3% (P385 million) from P15.111 billion in the prior year. Non-current liabilities increased by 3% (P230 million) to P8.496 billion compared to P8.266 billion in the previous year. primarily due to increased deferred tax liabilities from the write-off of deferred tax assets. Current Liabilities increased by 9% (P430 million) to P5.328 billion compared to P4.898 billion in the prior year due to lower financial performance.

#### **KEY PROJECTS**

Through equity injection from the shareholder, BPC is undertaking several key strategic projects to ensure the security of electricity supply for Botswana:

Morupule В **Power** Station Remedial Works: Remediation of Morupule B, a component of BPC's generation turnaround strategy, is critical for current and future energy needs. Remedial works on the first unit (Unit Number 4) out of the four units to undergo defect remediation were successfully completed, and the unit was put back into service during the reporting period. Remedial works on the remaining three units are scheduled for completion in the 2027 financial year.





Northwest **Transmission** Grid Connection Project (NWTGC) -Phase 1: Funded by the shareholder at P2.355 billion, this project extended the country's high-voltage transmission grid to Maun, Shakawe, and Ghanzi via Orapa. Completed in the reporting year, this infrastructure ensures reliable grid supply to Northwestern Botswana, supporting economic development in mining and agriculture and reducing reliance on cross-border supply from Namibia in Ghanzi and Shakawe.

Distribution Transmission and Network: BPC is reinforcing and refurbishing the distribution network over the next three years to reduce system faults and ensure reliable power supply to customers. Additionally, the Corporation is upgrading and expanding the transmission grid in Mochudi, Tlokweng, and Gaborone-South to meet growing electricity demand from expanding economic activities. These projects are expected to be completed by the first half of the next financial year, with ongoing distribution network refurbishments to enhance reliability.

#### **Rural Electrification Programme:**

This government-funded initiative aims to increase electricity access in villages. By March 2023, 33 out of 40 villages were electrified, with the remaining expected to be completed by June 2023. An additional 23 villages were approved for electrification, with completion anticipated by the

middle of the next financial year. The government-funded village electrification programme places Botswana among African countries with high electrification levels, with electricity access of 72.8% as of 31 March 2023.

Renewable Energy Projects: The Corporation, with support from the Government, has embarked on an energy transition aimed at (i) reducing

and 2 larger-scale grid-connected utility-scale solar PV plants totalling up to 236MW. The projects will be realised through Independent Power Producer (IPPs) structures. The IPPs are expected to sign long-term power purchase agreements with BPC. As of year-end, two solar PV plants (3MW in Bobonong and 1MW in Shakawe) and three plants in Lobatse, Maun, and Ghanzi (4MW each) were at the financing stage. The Mmadinare



the country's carbon footprint, (ii) achieving the national targets on the share of renewable energy in the energy mix, and (iii) to supply 'green' energy to large power users (mining and industry) in support of their decarbonisation strategies.

BPC is advancing the development and construction of green energy projects under the National Integrated Resource Plan. The first Phase covers 12 small-scale grid-tied solar PV plants 50MW plant was also at the financing stage, with commissioning scheduled for February 2025. Plans are underway to expand this plant to 100 MW. Additionally, a 100MW solar project is to be located in Jwaneng in the attender stage. BPC has also commissioned rooftop solar projects from commercial, industrial, and domestic customers through the Rooftop Solar Programme, which is targeted to generate up to 10 MW.

### **Chief Executive Officer Statement** [continued]

#### SAFETY, HEALTH, ENVIRONMENT, AND RISK

BPC is committed to ensuring the safety of its employees and protecting the environment. Under the Maduo26 transformation strategy, BPC adopted a "Zero Harm" value to prevent workplace injuries, illnesses, property damage, and environmental harm. The Corporation is implementing an integrated SHE Management system aligned with ISO 14001:2015 (Environmental Management Systems) and ISO 45001:2018 (Occupational Health & Safety) standards, with the goal of obtaining certification by the end of the financial year 2025.

The Corporation encourages a proactive approach to reducing workplace injuries by reporting near misses. Over 140,000 near misses were reported, surpassing the target of 90,000. In 2023, BPC recorded a Total Recordable Injury Frequency Rate (TRIFR) of 0.26, which is well within the year's target of less than 0.75.

BPC uses Sodium Bicarbonate and Limestone to mitigate emissions from its coal generation fleet and employs bag filters at Flue Gas Desulphurisation (FGD) plants and Electrostatic Precipitators (ESP). Ambient air quality monitoring is conducted at MAPS and MBPS.



## ENTERPRISE RISK MANAGEMENT

BPC follows a robust risk management framework based on ISO 31000;2018 principles, with risk identification, evaluation. and management responsibilities distributed across all employees. The Executive Committee and Board's Audit and Risk Management Committee oversee risk management activities, supported by Corporate Risk and Internal Audit functions. This framework ensures effective risk management, enhancing decision-making, objective-setting, and performance improvement.

#### **HUMAN CAPITAL**

Human capital is BPC's greatest asset, pivotal in transforming the Corporation into a high-performing organisation. Initiatives, including adequate resourcing, training, development, talent management, and succession planning, continuously enhance our employee value proposition. As of 31 March 2023, BPC's approved staff establishment was 2,143, with a headcount of 1,910.



## CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, BPC prioritises corporate social responsibility through sustainability and social responsibility programmes aimed at improving education, local government service delivery, and sports and wellness within our communities. In this regard, the Corporation spent P490,861 in seventeen corporate social activities across the country in the financial year under review.

#### THE OUTLOOK

Two years into the Maduo26 strategy, BPC anticipates growth and stability. The Corporation's generation fleet has become more reliable through the generation turnaround strategy, supporting its evolution into a sustainable organisation energy under a just transition operating environment. BPC's vertically integrated business model enhances resilience against transition risks, enabling support for diversified energy generation projects.

#### **THANKS**

I extend my gratitude to the Board of Directors for their total support of the Maduo26 implementation, particularly the Morupule B turnaround strategy. I also thank the Management team and all staff members for their exceptional efforts under challenging circumstances, contributing to our remarkable recovery from subdued performance in 2022.

Mr. David S. Kgoboko
Chief Executive Officer





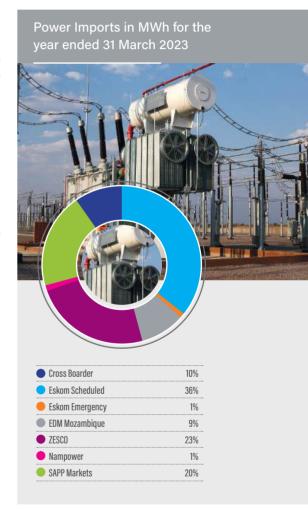
## OPERATIONAL PERFORMANCE

The Corporation recorded an EBITDA margin (excluding consumer tariff subsidy) of 3% against a prior year of negative 6%. EBITDA is the profit that BPC gained from its normal operations after paying direct input costs and administrative expenses but before financing expenditures. The performance during the year under review can be attributed to the following:

 Increased Dav-Ahead Market sales to the Southern African Power Pool (SAPP) market totalled P122.068 million, showing a positive variance of P111.388 million (1042%) compared to the prior year figure of P10.680 million. This was due to the improved performance of Morupule B Power Station (MBPS) and the robust supply of power from ZESCO. However, Other Income and Sales recorded an overall decline of P11.122 million, largely driven by losses incurred in material sales.

 Total Operating Costs were P5.361 billion against a prior year expenditure of P5.316 billion, resulting in a marginal increase of P44.535 (1%). The breakdown of the expenditure was as follows:

Direct Input Costs, which include Fuel, Water and Chemicals, increased by P114,399 million (12%) from P924.720 million in 2022 to P1,039 billion in the year under review. This can largely be attributed to higher availability of the generation fleet during 2023, which had a domino effect on power purchases which reduced by 17% from P1.987 billion to P1.641 billion. Although the Corporation imported less energy, it experienced higher unit costs at an average cost of 164,15 thebe/kWh, due to the increase in tariff price per unit. By comparison, in the 2021/22 financial year, the average import cost per unit was 111 thebe/kWh. MBPS performed at an average availability rate of 63% (2,913.151 GWh of supply), significantly better than the prior year availability rate of 36%. Morupule A Power Station (MAPS) performed at an average availability rate of 61% (479.145 GWh of supply) against 70% in the prior year.



## **Chief Financial Officer Statement** [continued]

Operations and Maintenance Costs reduced by 6% from P515.796 million to P485.561 million.

Staff Costs were P851.561 million, an increase of 15% from P743.309 million in 2022. This was driven largely by the filling of vacant positions during 2023.

**Depreciation** increased to P886.947 million in 2023 from P754.587 million in 2022. This was due to an increase in the Property Plant and Equipment (PPE) revaluation reserve of P3.547 billion recorded at the end of 2022.

Financial Items overall loss for the year was P307.004 million against a loss of P84.235 million in 2022 on the back of the increase in interest rates and unfavourable exchange rates, particularly on financing costs. The Corporation has a cross-currency swap instrument to cover the ICBC loan volatility rates, and with a value of P1.142 billion, this continued to be an asset to BPC.

**Net Profit Margin:** The Net Profit Margin was negative 7% after taking into consideration the financing costs and depreciation charge, compared to negative 4% in the prior year.

#### **WORKING CAPITAL**

**Debtor days** are a measure of how quickly the Corporation gets paid by its credit customers. Debtor days for the year averaged 36 against the budget of 40 days, meaning that on average, it took 36 days for BPC to collect payments from its credit customers.

During the year under review, the Electricity Sales Receivables balance, net of impairment, was P247.036 million (2022: P215.388 million). The cumulative impairment inclusive of provision was P134.004 million (2022: P113.544 million). Works Contractors receivables net of impairment was P61.910 million (2022: P25,295 million). Cumulative impairment provision in this case P108.635 million (2022: P96.162 million). In determining the recoverability of a trade receivable, the Corporation considers any change in the credit quality of a trade receivable from the date the credit was initially granted.

**Creditor Days** were over 90 days against the supplier payment terms of 30 days. BPC took much longer to settle its liabilities due to its severe cash flow constraints, and the Corporation will continue to be in touch with its critical suppliers to manage this risk.

#### **LIQUIDITY**

The current ratio was recorded at 0.28, which depicts a negative working capital position, with current liabilities exceeding current assets by over P3 billion. The Liquidity Ratio was lower than the 0.30 achieved in the prior year.

To deal with a negative working capital situation, BPC is implementing a generation turnaround strategy which includes remediation of MBPS. As at the end of 2023, the strategy was beginning to bear fruit, with improved generating performance being recorded.

#### **SYSTEM LOSSES**

**System losses** relate to the power that is lost during transmission and distribution due to resistance (impedance) in the system, and also to revenue leakages, including meter fraud. For the year under review, 642,002 MWh was lost, which constituted 15% of the total power dispatched. This figure shows only marginal variations with prior years, and is on par with the target of 15%.



Revenue leakages are largely at Distribution level and are estimated to be minimal, at around 1%. BPC has a revenue protection arm which undertook revenue protection initiatives during the year under review, resulting in a total revenue leakage charge of P8,943,385.38. The recovered amount was P2,566,794.14 which constituted 29% of the total amount charged.

A total of 5,107 premises were visited in the year under review. All affected customers were disconnected and all debts exceeding three months were handed over for litigation.

Works Power relates to internal power used during the production of electricity. As of 31 March 2023, MBPS had used 500,983 MWh (15%). MAPS internally utilised 89,026 MWh (16%). The main cause of relatively high internal power utilisation was ambient losses and startups which increased the Unplanned Capability Loss Factor.

#### **GEARING**

The Gearing Ratio, which is indicative of financial risk, was a positive 27%, which is similar to the prior year. Debt is not a significant component of the Corporation's capital structure due to the regular equity injection by the Government for major strategic projects.

#### SHAREHOLDER RETURN

**Return On Revalued Assets** (RORA) was negative 1.3% compared to negative 2.0% in the prior year. The Maduo 2026 target for the 2022/23 financial year was 2%.

#### **FINANCIAL POSITION**

The Corporation's Balance Sheet as of 31 March 2023 was reported at P29.323 billion, P1.046 billion (4%) higher than the prior year balance sheet of P28.276 billion. The increase was anchored on a high asset revaluation surplus of P872 million in 2023. The Accumulated Loss was P6.780 billion. The Shareholders' wealth represented by the Total Equity (Capital and Reserves) was recorded at P15.497 billion compared to P15.111 billion in the prior year.

#### CONCLUSION

BPC is on a recovery trajectory as evidenced by the reduction of negative operating profits from P408.540 million in 2022 to P57.559 million in 2023. This was clearly driven by a generation turnaround strategy that seeks to optimise MBPS performance.

Mr. Oaitse Ramasedi Chief Financial Officer

## **Executive Management**







## **Executive Management Profiles**





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

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

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

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

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



Mr. Oaitse Ramasedi Chief Financial Officer

Mr Oaitse M. Ramasedi is a seasoned finance professional. He joined Botswana Power Corporation (BPC) as Chief Financial Officer in June 2020 and plays a key role in the

financial restructuring and long-term sustainability of BPC. His professional experience spans academic institutions, civil service, rail transport and financial institutions. Mr Ramasedi graduated with a Master of Arts, Postgraduate Diploma in Risk Management and Bachelor of Commerce. On the professional qualifications side. Mr Ramasedi is a Fellow of the Chartered Institute of

Management Accountants, Fellow of the Botswana Institute of Chartered Accountants, Fellow of the Insurance Institute of South Africa, and Associate Member of the then Botswana Institute of Bankers (now

Botswana Institute of Banking and Finance). In addition to his professional life, Mr Ramasedi has served in numerous boards.





Mr. Edward Rugoyi General Manager Generation

Mr. Edward Rugoyi is a chartered electrical engineer with more than 25 years of experience in power systems gained in the Southern African electricity supply industry. He has specialised expertise in power utility management at senior and executive level which has given him experience in the transformation of power utilities, strategic planning, strategy implementation, power sector reforms and restructuring. His electrical power utility management experience is backed by several years of technical experience in electrical power system operation and maintenance, transmission and distribution infrastructure development, energy transaction agreements comprising operation and maintenance agreements, power purchase agreements, primary fuel supply agreements and crossborder electricity trade.



**Mr Mogomotsi Kebitseng**General Manager Asset Management and Care

Mr Mogomotsi Kebitseng joined the BPC Executive Management team on the 1st of August 2022 as the General Manager Asset Management and Care. He previously served as the Power Station Manager at the Morupule A Power Station.

Mr Kebitseng is a Professional Engineer with over 12 years of experience in the Power generation, water, gas, Cryogenics, Hydrogen (SMR) and mining utility industries. His experience includes engineering, operations and maintenance, project and Contracts management obtained in various countries including Namibia, Botswana, Egypt and Madagascar where he has held various roles in engineering and Senior Management.

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

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



Mr. Bojosi Gaothuse 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 Programmme at Botash aimed to reduce maintenance costs to become globally competitive.

## **Executive Management Profiles** [continued]



Mr. Letlhogonolo M. Bantsi General Manager Human Resources

Mr. Letlhogonolo Maemo Bantsi joined the Corporation on 01 August 2019. He has had an illustrious career in Human Resources Management which started at the Botswana Mine Workers Union as an Education and Training Coordinator from where he moved on to join Air Botswana in 1996 as an Industrial Relations Officer and later in 1999 progressed to Employee Relations Manager.

At Air Botswana he steadily progressed up to the Acting Human Resources Manager up to 2009. He also acted in the position of the General Manager of Air Botswana from 2008 to 2009. After leaving Air Botswana, he formed a Consultancy called People Management Connections Pty Ltd in 2010 as a Director and from there he joined Botswana Railways as the Director-Human Capital in 2012 to 2019. Mr Bantsi holds a Master's Degree in Business Administration (MBA) and a Postgraduate Diploma in Management Studies from Buckinghamshire Chilterns University College UK as well as a Postgraduate Diploma in Law from the University of Cape Town amongst others. He is a member of the Institute of People Management (SA) and a founder member of Institute of Human Resources Management (Botswana). He is also a Fellow Member of International Academy of Management (UK).



Mr. Lerothodi Moshoeshoe General Manager Procurement Oversight (Acting)

Mr. Lerothodi Moshoeshoe joined the Corporation in 2013 as a Departmental Accountant for Assets and Projects before being appointed to the Payables and Taxes Manager position in 2015. He was further appointed as the Financial Planning and Control Manager in 2016. From 2019 to 2020, he oversaw, amongst others, the Supply Chain Department as an acting Chief Financial Officer, He is a Chartered Accountant (ACCA Fellow member). He holds a Bachelor of Science Degree in Physics and Education from the University of Botswana which underscores his diverse wealth of experience cutting across various disciplines. He further holds Master of Science Degree in Finance from the University of Aberdeen, UK. Additionally, he has undergone various development programs on leadership and power sector management amongst others.



Mr. Galebolae Otimile General Manager - ICT

Mr. Galebolae Otimile joined BPC as General Manager - Information and Communication Technology with effect from June 2023. Mr. Otimile, oversees the Corporation's Digital Transformation strategy implementation ensuring appropriate information systems are deployed and secure to leverage technology as the key driver to operational efficiency and support of business objectives.

He has over 20 years of ICT experience having been with the Water Utilities Corporation as Head of ICT where he developed and implemented their Digital Transformation Strategy that led to key strategic technology implementations. He also made his footprints at the Botswana Meat Commission and the Government's Department of IT.

Mr Otimile holds a Master of Business Administration (Herriot-Watt University, UK) and BSc (Hons) Information Systems (University of Leeds, UK). He is a certified professional in PRINCE2 (Practitioner), Digital Transformation - A Practical Strategy (GIBS, RSA), Information Security, ITIL, and COBIT amongst others. He is also member of the ISACA professional body.





**Mpho Kubanji**Acting General Corporate Counsel (Board Secretary)

Mpho Kubanji (nee' Modiro-Marata) is the Acting General Corporate Counsel (Board Secretary). She joined Botswana Power Corporation in 2017. She is an attorney by profession with 13 years post-qualification experience which includes contract drafting and negotiation, public procurement, and commercial and international law.

Ms. Kubanji holds A Master of Law Degree (2009) (having specialised in International Trade Law) and a Bachelor of Law Degree (2007) from Fort Hare University. She also holds a Professional Certificate and Diploma in Trade Policy.

She has also attended several courses related to the provision of legal services, leadership, and management development as well as power purchase agreements/energy contracts. She was admitted to the Courts of Botswana as an Attorney in 2009. Prior to joining BPC, she was under the employ of the Attorney General Chambers having worked as Principal State Counsel II before joining BPC in 2017. Ms. Kubanji has six years of experience in the Energy Sector at BPC. Ms Kubanji has also worked as a Council Attorney at Mahalapye Sub-District Council from 2010 to 2012.



Mr. Emmanuel B. Bopadile General Manager Internal Audit

Mr. Bopadile is a highly experienced audit professional with a diverse background spanning over 20 years across multiple sectors including the Telecommunications, Mining, Industrial Research and Innovation, Public Sector, Labour, Property Development, and the Energy sector. He joined the BPC Team end of 2017 as the Head of Internal Audit where he serves as the linchpin for oversight and executive teams, providing comprehensive assurance services over governance, risk management, and compliance programs of the Corporation.

Mr. Bopadile's academic background includes a Bachelor of Commerce, Programme in Forensic Investigative Auditing, Chartered Governance Professional certification, Leadership Development Programme, Diploma in Performance Auditing, Advanced Diploma in Performance Auditing.

In his current role he spearheads assurance efforts to address the risk challenges arising from the convergence of information technology and industrial technology ensuring robust risk assurance frameworks are in place.



**Ms. Dineo Seleke** *Marketing And Communication Manager* 

Ms. Dineo Seleke, joined Botswana Power Corporation in 2016. She has a role to Manage the Corporation's Internal and External Communications, network the Corporation with critical stakeholders and ensure brand visibility. She is also responsible for the overall media management, Public Relations and implementation of the Corporate Social Responsibility programme for the Corporation. Before joining the BPC Team, Dineo worked as Executive Coordinator for the Chief Executive Office at National Development Bank of Botswana. Before that she gained valuable experience in Photovoltaic Solar projects through her role as Regional Manager for BPC Lesedi - Maun Office, Dineo has also served as Marketing and Communications Officer for SPEDU Regional Development Agency, an economic diversification unit that was set by the Government to coordinate the development other sectors of the economy besides mining in order to sustain the SPEDU Region.

## **Executive Management Profiles** [continued]



Mr. Letshego Moeng Strategy And Transformation Manager



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

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

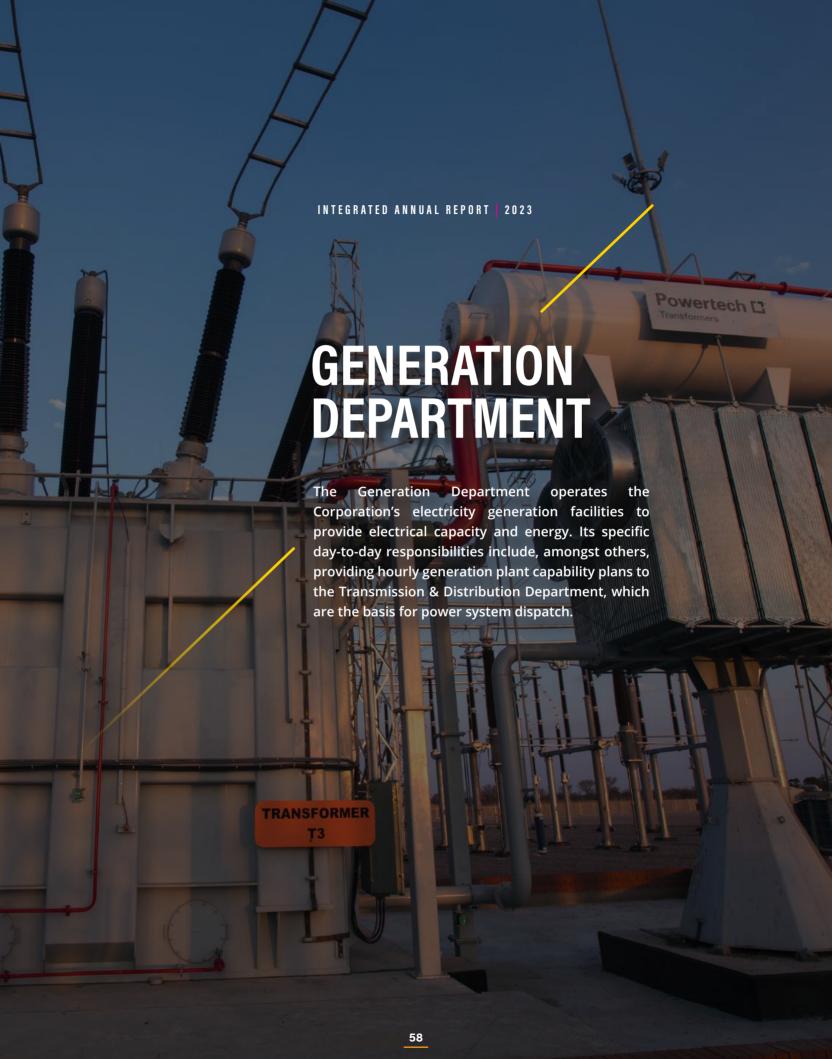






## PERFORMANCE REVIEW

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These responsibilities extend to providing information on generation plant availability on a unit basis for long-term supply planning.

In addition to power plant operation and maintenance (O&M), the Generation Department carries out strategic security of supply projects, which include major plant refurbishment works procurement of Independent Power Producers (IPPs) as mandated by the government in line with the Integrated Resource Plan (IRP).

The Generation Department has three main sections, namely:

- Morupule A and Emergency Diesel Power Plants
- Morupule B
- · Solar Projects

#### **MORUPULE A**

The plant performance for the ended financial year (2023) was satisfactory and within the projected performance

limits. There was an increase of 2.6% in respect of total generation output in comparison with the previous year.

**Production:** The energy sent out into the grid was 551.67GWh against a dispatch plan of 690.02GWh, which translates to 80% conformance to the plan for the period under review, as depicted in the Actual Energy Generated vs Target Generation diagram below. The variance is mainly attributed to forced outages and generation capacity reduction. In terms of fuel and water input usage for the period under review, the total raw water quantity used was 452,792m3, while processed demineralised water usage was 160,893m3. The demineralised water used amounts to 0.35m3 per MWh sent out. The quantum of total burnt coal was 379 128.1tons and the average coal consumption per MWh sent out was 0.82tons. The station consumed a total of 8,054.24 tons of Heavy Fuel Oil (HFO) against a target of 10,800.00 tons.

#### **Key Performance Indicators**

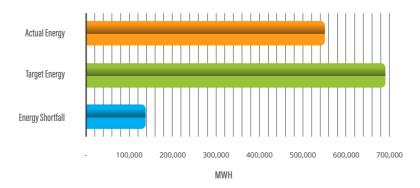
Plant Energy Availability: The plant energy availability factor (EAF) for the period under review was 60% against a target of 68% based on the refurbished gross capacity of 100MW. Most notable is the plant uptime, which is at 80% against a target of 85%. The plant EAF was affected by intermittent load losses and partial loading of the units (most notably Unit 1), which maintained low loads for more than three months to manage a turbine lubrication constraint.

**Plant Planned Capability Loss Factor:** The planned capability loss factor (PCLF) for the year was 6.5% against a target of 20%. This was mainly due to the deferment of Unit 1 statutory outage.

Plant Unplanned Capability Loss Factor: The unplanned capability loss factor (UCLF) was 33.5% against a target of 12%. This reflects a higher UCLF than planned, with major contributors being forced outages on units 1, 2, and 4 due to tube leaks and the extended duration of the U2 statutory outage. The tube failures are being mitigated through statutory inspections carried out every 14 months.

#### **Actual Energy Generated vs Target Generation**

#### Morupule A Energy Production (MWH)



## **Generation Department**

## [continued]

#### **Key Performance Indicators**

Morupule A Key Performance Indicators FY 2022/23

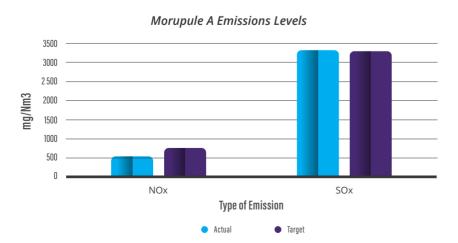


Plant Emission Performance: The level of NOx emissions was within the limit of less than <750 mg/Nm3. However, the SOx emission level was higher than the limit of less than 3293 mg/Nm3 due to the global shortage of sodium bicarbonate, which needed to be injected into the flue gas system to inhibit SO2 emission. The availability of the chemical has since improved.

#### Maintenance **Compliance:**

Preventative maintenance, including time-based condition monitoring, risk-based maintenance, and inspection, was carried out in accordance with original equipment manufacturers (OEMs) manuals and industry best practices. Maintenance compliance for the period under review was above the set target of 80%.

#### **MAPS Emissions**



Plant Efficiency: The average plant efficiency was 19% against a target of 21%. Which is satisfactory for a plant with over 35 years of service.

#### **MORUPULE B**

The plant performance for the financial year ended 2023 was satisfactory, with an energy availability factor (EAF) of 63 % against a target of 47%. All four units were available for production following the successful completion of remedial works on Unit 4. During the financial year under review, the plant performed above target for most of the year. An all-time best plant load factor was recorded in January 2023, surpassing the previous record set in lune 2014.

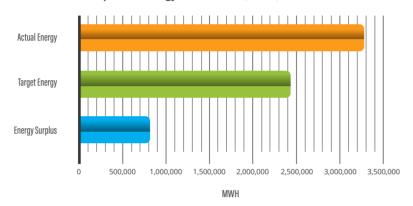
**Production:** The plant energy sent out was 2,828GWh against a dispatch plan of 2,053GWh, which translates to a 38% positive variance on the dispatch plan. The positive variance was mainly due to the return to service of Unit 4 after the remedial works and significant improvement in the reliability of the other three units. In terms of input usage for the period under review, the total raw water quantity used was 1,189,000m3, while processed demineralised water was 399,000m3. The used demineralised water amounts to 0.44m3 per MWh sent out. The total amount of burnt coal was 1,531,000 tons, and 65,000 tons of limestone were used for SO2 emissions control. The average coal consumption per MWh sent out was 0.46 tons against a forecast of 0.46 tons.

Plant Availability: The EAF for the period under review was 63% against a target of 47% for a gross capacity of



#### **Energy Generated vs Target Generation**

Morupule B Energy Production (MWH)



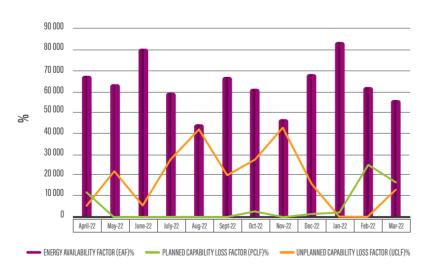
600 MW. Most notable is the plant uptime, which was 76.5% against a target of 48%. The positive variance in the plant uptime against the planned plant availability is attributed to improved plant maintenance and operations.

**Plant Outages:** The year's planned capability loss factor (PCLF) averaged 5%. The most contributing factors were Unit 2 and Unit 3 annual statutory inspections in February and March. The unplanned capability loss factor (UCLF) was 18.5%, with the highest contributors being Unit 1 and Unit 4 tube leaks.

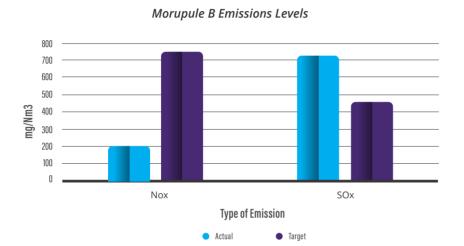
**Emissions:** SO2 and particulate matter (Dust) were above the limit for most of the year. The reliability of the limestone and ash handling system contributed to the high emissions. Measures to address the limestone and ash handling systems have been put in place to ensure environmental compliance. NOx emissions were within target during the year under review.

#### **Key Performance Indicators**

Morupule B Key Performance Indicators FY 2022/23



#### **MBPS Environmental Compliance**



#### **Maintenance Compliance:**

Preventative maintenance, which includes condition monitoring, cyclic maintenance, and risk-based inspection, is done in accordance with OEM manuals and best industry practices. Compliance during the period under review was 63%, against the set target of 75%.

**Plant Efficiency:** The average plant efficiency was at 31% against a target of 32% which is within the tolerance limits.

## EMERGENCY DIESEL POWER PLANTS

The Orapa and Matshelagabedi emergency plants generated 17GWh and 16.25GWh, respectively, for a total of 33.25GWh for the year. Compared to the previous financial year, this shows a reduction of 55.74GWh attributed to improved MAPS and MBPS availability for the financial year under review.

#### **SOLAR PROJECTS**

In line with the approved Integrated Resource Plan (IRP), during the financial year 2023, the Corporation signed a Power Purchase Agreement (PPA) for a 50MW solar PV project in Mmadinare. The project is expected to reach a financial close in December 2023. This marks the first utility-scale solar project to be constructed in Botswana.

During the same financial year under review, construction on the Bobonong and Shakawe solar projects commenced in November 2022 and February 2023, respectively. Both projects are expected to reach commercial operation within six months.

Regrettably, in the same financial year, the Corporation had to terminate three PPAs for the Maun, Ghanzi, and Lobatse small-scale projects after the Bidder was unable to secure funding for them. The projects will be re-advertised to give other players a chance to Bid.

The procurement of seven grid-tied small-scale solar PV projects and a 50 MW utility-scale grid-connected solar PV plant to be constructed in Jwaneng is in progress, and the Corporation expects to award these projects in the first quarter of the next financial year. Turning to the Rooftop Solar Programme, а total of 264 applications were approved, making a total of 28,969.49kW awarded to customers (industrial, commercial, and domestic). During the previous financial year, at least 7500kW was commissioned. The programme is currently being reviewed by the Department of Energy, Botswana Energy Regulatory Authority, and the Botswana Power Corporation to enhance contribution to renewable energy development by electricity end users.



# TRANSMISSION AND DISTRIBUTION DEPARTMENT

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

# **Transmission and Distribution Department** [continued]

The Transmission and Distribution Department gets bulk electricity supply from the Generation Department, the Southern African Power Pool (SAPP) Energy Market, as well as neighbouring countries on short- or long-term bilateral contracts to meet the country's power demand. The Department's KPIs are the SAIFI and SAIDI, which were 0.04 and 3.49 against the targets of 0.25 and 10 respectively.

Some villages along the border that are not connected to BPC's transmission grid are supplied through cross-border connections from neighbouring countries.

The Transmission and Distribution Department has 5 sections:

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

#### **Network Maintenance**

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

Each year, the Corporation draws an annual maintenance plan for its assets and endeavours to achieve at least a 70% completion rate.

During the financial year 2022/23, the section achieved a 54% completion rate of the planned maintenance

projects. The low completion percentage was a result of outage cancellations due to generation constraints, shortage of operators, disapproved outages, attending to system defects and shortage of test equipment. Additionally, the attainment of the 70% target was curtailed by the deployment of maintenance resources to assist with Operations tasks.

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

- i. Servitude maintenance or vegetation management on power lines
- ii. Substation weeding and general housekeeping
- iii. Transmission & Distribution substation equipment maintenance (transformers, circuit breakers, protection equipment and indoor 11kV switchgear)
- iv. Transmission powerline maintenance
- v. Protection equipment maintenance & refurbishment
- vi. Protection coordination studies/ audits and implementation
- vii. Maintenance project implementation
- viii.Maintenance planning and scheduling.

#### **Customer Services**

The Customer Services Unit primarily deals with customer connections and distribution network infrastructure maintenance. The section has four operational regions, being Gaborone Inner, Gaborone Outer, Central and

North. In the previous financial year, the section focused more on system faults and power interruptions Turn Around Times (TAT) than on the reduction of those occurrences.

According to the Maduo26 Strategy, the set targets for the financial year 22/23 were:

- For distribution high voltage faults an average of 120 minutes per month.
- ii. For distribution low voltage faults an average of 130 minutes per month

For the year under review, the section recorded a TAT of 179 minutes for high-voltage faults and 74 minutes for low-voltage faults. The Corporation did not manage to achieve the distribution high voltage turnaround time targets due to prolonged outages in some areas during the rainy season. However, in response to the low voltage faults the Corporation performed well. This improved performance was directly attributable to the maintenance work that was carried out on the lowvoltage distribution network across the country.

The section oversees the customer connections process that contributes to the government's initiatives to increase households' access to electricity. For the period under review, the section managed to connect 14,719 households against a target of 32,970. These new connections increased the overall number of



household connections to 496,329. The new customer connections are undertaken by citizen-owned contractors and consultants prequalified by BPC under its distribution contractors' programme.

#### **Technical Services**

The mandate of the Technical Services section is to ensure safe operation, monitoring and control of the Transmission and Distribution Network Infrastructure using reliable Supervisory Control and Data Acquisition system (SCADA), Geographic Information System (GIS), metering and telecommunications The section is systems. responsible for the safe monitoring, control and operation of the transmission grid, as well as procuring of power for the Corporation.

The section is running a project to update the BPC SCADA System, to enable remote control and monitoring of the distribution network. The SCADA System went live in March 2022. The commissioning of the system was successful though the identified defects are still being attended to. The main SCADA system project has been completed and was handed over for operation in April 2023, and the remaining component of the project, being the Distribution Maintenance System (DMS) elements, will be completed by the end of September 2023.

#### **Call Centre**

The Call Centre manages and directs BPC Contact Centre operations. It encompasses receiving and resolving customer queries. The SAP-based C4C customer experience solution has increased channels of reporting, providing a single solution for interaction and a 360° view of the customer. Currently, customers can report their faults and queries through a toll-free line, WhatsApp, Webchat, email, USSD, and on social media (Facebook and Twitter).

The Call Centre achieved a 65% service level for voice interaction (calls), 10% less than the targeted 75%, and a 97% service level for non-voice interaction (WhatsApp, Webchat, email and social media) for FY 2022/2023. The Call Centre continues to do well in accessibility for non-voice interaction as the service level was 2% above the 95% set target.

There was a 4% decline in accessibility (calls and non-voice interactions) for FY 2022/2023 compared to FY 2021/2022 from 71% to 67%. This was due to a spike in call volumes received in Q3 and Q4 caused by a 12% increase in faults recorded due to the heavy rains experienced during that period. 61% of interactions (calls and non-voice interaction) were received in Q3 and Q4 of FY 2022/2023.

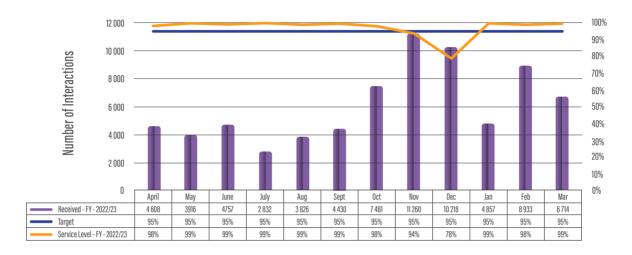
#### **Service Level - Voice Interactions (Received Calls)**



## **Transmission and Distribution**

## **Department** [continued] -

## Service Level - Voice Interactions (Received WhatsApp, Chat, Email & Social Media)



Initiative	Description	Due Date
Contact Centre System Enhancement	Bi-Directional replication from SAP ERP to C4C. This will help improve capacity of logging faults therefore reducing congestion during peak periods.	September 2023





# INTRODUCING ASSET MANAGEMENT AND CARE DEPARTMENT

Historically, the Corporation has lacked a dedicated asset management function, which is a critical component of the Maduo26 strategy aimed at optimising asset returns. This strategic imperative has necessitated the establishment of the Asset Management and Care Department.

## Introducing Asset Management and Care Department [continued]

BPC has an asset base of approximately P27 billion, comprising generation, transmission, and distribution infrastructure. Other assets include property, equipment, a mobile plant fleet and motor vehicles.

Implementation of an asset management strategy has been a challenge in the Corporation due to a lack of standardisation, institutional silos and an unstructured approach emanating from the absence of an asset management policy and associated processes.

The lack of reliability engineering strategies during solution development and asset acquisition has had a negative impact on the availability, maintainability, and reliability of key strategic assets. This includes assets in all generation, transmission, and distribution value streams.

Considering the above, an asset management framework has been approved by the BPC Board to enable the development of an asset management policy and a Strategic Asset Management Plan (SAMP). The department houses sections including Engineering, Linear and Fixed Asset Maintenance, Facilities & Fleet Management, Planning, and the Integrated Management System (IMS).

#### **Framework**

**Scope:** The purpose of the framework is to provide a blueprint that takes into account the end-to-end processes of the Corporation and all the necessary interfaces that allow for seamless transactions between different asset management functions with the ultimate goal of getting value from the assets by optimising their performance, improved risk controls, optimal maintenance, operational efficiency, and effectiveness.

**Standards** and normative references: The adoption of ISO 55000 serves to provide a comprehensive framework standard terminologies for life cycle management. The management system requirements are harmonised with ISO 55001 and ISO 9001, ensuring alignment with both the business processes and the quality management system.

**Context of the Organisation:** BBPC operates on a centralised business model, and this implies that asset management objectives, planning, strategy, and decision-making are controlled by a centralised Executive Committee (EXCO) led by the Chief Executive Officer (CEO).

 The BPC Board provides oversight and governance through established policies. The Asset Management Policy (AMP) and SAMP shall be recommended by the CEO for approval by the Board.

- by which the Corporation intends to apply asset management to meet its organisational objectives as laid out in the Corporate plan. This shall include alignment with the mandate of the BPC as a state-owned entity and the legal and regulatory environment as defined in the BPC legal register.
- The implementation of the policy shall be documented in the SAMP aligned with the Corporation strategy. The SAMP shall demonstrate the relationship between organisational objectives and asset management objectives.
- The procedures for the management of operational, planning and control activities shall be recommended for approval by the General Manager-Asset Management (GMAC) and Care to the CEO and the Board Technical Committee (BTC) for noting.
- Work instructions, Standard Operational Procedures (SOPs) and forms shall be approved by the relevant General Managers as recommended by senior managers.



Overview and application: The key segments of the framework follow the asset life cycle management starting with asset planning and acquisition, maintenance, operations, and disposal. The asset management process is supported by an integrated management system (IMS) which is a hybrid model of the ISO 55000 (Asset management system) and ISO 9001 (Quality management system).

- Integrated Management system (IMS): The IMS sets out the governance policies, procedures, and roles of management in the Asset management system. Asset performance metrics and a centralised data management platform for asset activities are detailed in the IMS.
- Asset planning and acquisition:
   Planning for new asset acquisitions or replacements, expansions, refurbishment, improvements, and modifications must be taken through a rigorous business needs and analysis exercise at the earliest stage of the proposal before implementation.
  - The scoping of works and contract structure follows either National Engineering Contracts (NEC) and/or the FIDIC framework. As a minimum, the contract shall have the legal, technical terms of reference and commercial terms of which the commercial risk and contract performance management are defined.

- The funding structure for both greenfield and brownfield acquisitions shall be taken as Capital Expenditure (CAPEX) and sources of funds may come from either BPC, Government or customers.
- Proposed solutions and/or acquisitions shall undergo screening and approvals as outlined in the Public Procurement Regulatory Act (PPRA).
- On approval of the acquisition by the relevant bodies within the governance structure, the project initiation following the BPC project management charter may be implemented for execution until closure where the asset will now be in the operations and maintenance cycle

#### **Maintenance and operations**

- To optimise return on assets and improve risk control on assets:

  The key elements in the strategic asset management plan shall include Reliability Engineering Strategy Development (RESD), Operational Excellence (OE), Human Capital Management (HCM) and Quality Assurance.
  - BPC Reliability Engineering Strategy (RES): The reliability engineering strategy has four functions that include materials management, asset performance and evaluation, asset optimisation and work execution management.

- Materials management: This shall include activities that ensure the availability and reliability of essential materials, strategic spares, critical spares, and stock. The guiding principle for spares procurement and stock holding shall be based on an assumed cost of ownership versus the cost of failure and operational data on Mean Time Between Failures (MTBF), Mean Time To Repair (MTTR) and Operational Expenditure (OPEX) trends.
- performance Asset and evaluation: This forms the backbone of the SAMP with four critical asset activities, asset condition management, criticality analysis, data management and asset knowledge. The asset register shall list all fixed, linear and point assets that adhere to a standard naming convention outlined in the asset management policy and procedures.
- Asset Optimisation: This shall include activities that do not enhance the value of the asset but rather improve the performance of the asset to achieve its intended purpose for the defined period without failure.

# Introducing Asset Management and Care Department [continued]

- Work Execution Management: Maintenance activities for assets are guided by work execution management. Fixed assets the majority of which include power generation assets and linear assets in the form of transmission and distribution networks shall be listed in the asset register and activities related to works performed on them shall be documented in the enterprise asset management (EAM) platform. Maintenance levels are in four categories:
  - M1: Online preventive maintenance
  - M2: Major overhauls and turnarounds
  - M3: Corrective maintenance either detected through condition monitoring or predictive maintenance
  - M4: Planned design reviews and improvements which shall follow the management of change procedure.

As a minimum, the EAM should be able to document work order management, material resource planning and reporting.

- Outsourced Maintenance and **Facilities** activities Management: Maintenance activities to be outsourced shall be guided by the level of complexity of the works, level of risk, availability of skills set, ownership, right of use of the equipment and warranty requirements. The procurement of the same shall follow the asset acquisition cycle.
- Leasing of assets: The leasing of assets shall similarly follow the outsourcing process based on asset performance and utilisation rate. Lease agreements shall adhere to standard contract requirements with defined commercial, technical and legal terms.
- Asset disposal: The performance of assets shall be regularly evaluated to identify functional or physical obsolescence. The performance cycle of the assets shall follow the reliability bathtub curve model and risk-based inspection methodologies assess the possibility of disposal or extension of life. The asset disposal has three functional assessments including decommissioning, repurposing, and refurbishment. Refurbishment further includes retrofits, revamping repowering.



# **Project Management Department** [continued]

Below is an update of the ongoing projects:

#### 1. Northwest Transmission Grid **Connection (NWTGC)**

All nine components of the NWTGC Phase 1 project have been completed and the Defects Liability Period (DLP) has elapsed for 8 components. The last package (220kV Legotlhwane to Ghanzi Line) was commissioned on 03 September 2022 after being largely delayed by the financial constraints experienced by the contractor and shortage of material and is under DLP. The actual expenditure for Phase 1 as of March 2023 was P2.301 billion against the budget of P2.355 billion which is about 97.7% of the budget.

The Corporation has also been advised to resuscitate the NWTGC Phase 2 Project which was suspended in 2018 due to financial constraints. The purpose of the project is to supply power to the Zambezi Integrated Agro-Commercial Development Project in Chobe District and the Water Transfer Scheme Project aimed at connecting to the North-South Carrier (NSC) from Kazungula to Moralane. The project will also enhance the transfer of crossborder supplies to the local grid and create a power trade corridor in the SADC region.

The project has been divided into two lots:

- Lot 1 entails the construction of a 400kV transmission powerline from Phokoje substation (Mmadinare) to Pandamatenga via Dukwi and establishing a 400/132kV substation in Dukwi, a 400/220kV substation in Pandamatenga and associated transmission works.
- Lot 2 entails the extension of 220kV transmission powerlines from Pandamatenga to Kazungula, Kazungula 220/66kV substation, Kasane 66kV substation and lines, and associated transmission works.

As of March 2023, the Corporation had commenced procurement of the Environmental Consultant and the Engineering Consultants. The Environment Consultant's scope of work covers undertaking an Environmental Management Plan (EMP) for the Mosetse and Nata areas, conducting consultations with affected property owners, and surveying the line route. The Engineering Consultants will be responsible for preliminary designs, procurement of the contractors, and monitoring and supervision of the project during project implementation. In addition to the benefits mentioned above, the project will build the capacity of the local citizen service providers through the Citizen Economic Empowerment (CEE) initiative. The estimated project budget is P3.8 billion.

#### 2. Reinforcement of the Southern **Region Transmission Grid**

#### a. Ramotswa 132/33/11kV substation:

The project commenced in January 2019 and was completed by April 2021 with a defects liability period up to April 2023. A Load Dispersal Project was implemented to supply Ramotswa and its environs from the Ramotswa substation through the extension of 33kV and 11kV feeders. The Load Dispersal Project is 95% complete with only two feeders pending due to the unavailability of material.







# b. Mochudi 132/11kV substation:

The project commenced September 2020 and the projected completion date is the end of August 2023. The project consists of a 132/11kV substation and a 132kV line from Phakalane to Mochudi. The substation component is currently at 98% complete against 100% planned with the major outstanding work being hot commissioning which will take place when the 132kV line has been completed. The line component has land acquisition challenges in some sections. However, the Contractor has been given the site to start line construction works while the land acquisition issues are being resolved. The Contractor began tower assembly on 9 September 2022. The project progress for the line component is 77% against the 79% planned for line construction works. Project commissioning is scheduled for the end of August 2023. The accompanying pictures below show progress on site.

# c. Tlokweng 132/11kV substation:

The project commenced in December 2020 and hot commissioning was completed by the end of December 2022. Works were delayed due to non-compliance of the main contractor to the Citizen Economic Empowerment (CEE) requirements as per the contract. Detrimental weather conditions coupled with the lockdown in







China (between March 2022 – June 2022) contributed to the delays in the completion of the project. The project was to be handed over to BPC at the end of April 2023 which will mark the beginning of a 2-year Defects Liability Period. The project will be put into operation by the end of June 2023 upon completion of the load dispersal project. The pictures above show progress on site.

# 3. Distribution Network Maintenance and Refurbishment

The Corporation is continuing with the clearance of the maintenance backlog mainly using internal BPC teams as most of the maintenance works done by Contractors were completed and some were halted due to depletion of funds for maintenance. The resumption of the new financial year 2023/24 will assist in utilising the pre-qualified contractors to implement the new CAPEX/OPEX to address the maintenance backlog.

For the Network Refurbishment projects, Phase 1 projects are complete. Phase 2 projects are nearing completion with the overall progress at 92.64%, and the projected completion date is the end of July 2023. Most projects are experiencing slow progress due to a shortage of line accessories, outage dependency, and imported equipment delayed delivery. The stand-downs have certainly affected the projected delivery target. Phase 3 projects are currently standing at 72.91% completion. Though affected by imports of primary and secondary equipment, most of the equipment has arrived and the projected completion date is the end of August 2023.

# **Project Management Department** [continued]

#### 4. Rural Electrification

The Corporation embarked on a 40-village electrification project in February 2022 after receiving a budget of P50 million from the Ministry of Minerals and Energy. The project consists of the electrification of 5 new As of March 2023, for the 40 villages project, 33 out of 40 villages had been completed, with the remaining programmed for completion in June 2023. For the 23 villages electrification project, 4 out of 23 villages had been completed, with the rest being at the advanced stage of construction with completion anticipated in July 2023.





## **Finance Department**

## [continued] -

The sections within the department are:

- 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
- Knowledge Management
- Security Operations

# REVENUE MANAGEMENT AND CREDIT CONTROL

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

BPC's financial 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 was 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, BPC managed to keep debtor days at 36 days.

## FINANCIAL ACCOUNTING AND TREASURY

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

One of the major risks facing Botswana Power Corporation is the inability to access alternative sources of funding. To mitigate this risk, BPC identified acquiring a credit rating as a possible way of making the Corporation attractive to lenders. Our current credit rating according to Moody's Investor Services is Baa3 with stable condition. This is an investmentgrade rating which portrays BPC as a viable business worthy of investing in. During the year BPC got approval from both governance structures and the shareholder to raise P1.722 billion in debt to restructure the balance sheet as well as finance procurement of critical spares.

As part of driving the Maduo26 strategy, the department continually capacitates its team through training and enhancing financial markets and reporting skills to keep up with the changing world.

## FINANCIAL PLANNING AND CONTROL

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

The Corporation's budgeting process is premised on a highly interactive Zero-Based Budgeting procedure. 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 This section is accorded period. 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 its resource capability.

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.

During this year, the section continued its management advisory role as well as lodged a tariff application with the regulator.



#### **ACCOUNTS PAYABLES AND TAXES**

This section runs the Corporation's centralised payment system to meet all the financial obligations. The section is also responsible for tax compliance and advisory services. 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 mitigating fraud risk.

#### **PROJECTS**

The Corporation is engaged in several flagship Generation and Transmission capital projects funded by the Government. The project team negotiates with contractors, manages the financing aspect and reports to all stakeholders. This section also provides financial advisory support services to all the technical teams that implement these projects. 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 BPC from the National Electrification Fund (NEF) is the difference between the standard charge of P5,000.00/P2,500.00 borne by the customer and the actual cost incurred by the Corporation in connecting the customers. This Fund was established from P0.10 levied to customers for every kWh billed. In turn, BPC collects the levy and credits it to the NEF.

During this year, the section continued its project finance and reporting role and was the liaison between

implementation and financing, which mostly comes from the Government.

# 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 section is currently undertaking the following projects in 2023.

- Extension of supervisory control and data acquisition (SCADA) system to cover the whole Distribution System Countrywide to improve system reliability and availability.
  - The project is expected to be completed in 2024.
- 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.
- Implementation of 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 BPC's entire fleet.
  - An Enterprise Asset
     Management system is
     planned to integrate Finance,
     Controlling and Supply Chain
     Management SAP Modules for
     a complete management of an
     asset lifecycle.

This section drives BPC's digital transformation strategy embedded within Maduo26.

#### **SUPPLY CHAIN MANAGEMENT**

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

During the year, the section's major activities were as follows:

- Implementing the new Public Procurement Act together with its regulations.
- 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.

#### **KNOWLEDGE MANAGEMENT**

The Knowledge Management (KM) Department is tasked with the strategic function for the effective management of records, documents, information, and knowledge and as a value-adding resource used to innovate new products and services for improved organisational performance.

The department is focused on Records Management, Document Management, and Information Resource Centre Management. The

## **Finance Department**

## [continued]

coming in of the Maduo 2026 Strategy has seen KM continue in its endeavour to improve the management of records and information with initiatives that are aligned with the corporate strategic objectives.

#### **Policies and Procedures**

The Knowledge Management Department has developed policies which provide a strategic framework composed of standards, processes, roles, and metrics, which hold organisations and individuals accountable to create, organise, secure, maintain, use, and dispose of information in ways that align with, and contribute to the organisational goals. The following policies were developed and approved:

- Information Governance
   Policy: Provides a governance
   and accountability framework for
   information management at the
   corporate level.
- Records Management Policy:
   Provides a guidance framework for records management across their life cycle regardless of format (i.e., paper, electronic, and audiovisual records).
- Document Control Policy: Guides controlled processes and practices for the creation, use, maintenance, review, issuance, distribution, and accessibility of documents to ensure the usage of current documents for reference and decision-making.
- Information Resource Centre Policy: Guides the collection and development of information resources in the library, including their management.

#### **Quality Assurance**

Quality Assurance (QA) is a systematic process of determining whether a product or service meets specified requirements. To meet the specific needs and requirements of the KM Department and customers, existing records management processes have been reviewed.

Initially, eleven processes were mapped. The process review resulted in five Process Guides documented. The next phase is to map these processes. This exercise will be carried out as part of a larger BPC project on Business Process Reengineering led by the Strategy and Transformation office. Key processes across the Corporation will be documented and mapped.

#### **Risk Management**

The KM Department developed a Risk Register in collaboration with the SHER Office. It was approved by management. The mitigation plans outlined in the Risk Register are implemented continuously through the implementation of a business classification system, decongestion of records storage and the disposal of redundant records and documents.

#### **Data Cleaning Exercise**

KM undertook a project for records storage and other records-related services. Data Cloud (Pty) Ltd, a local company was contracted to assist with corporate-wide data cleaning exercises to improve information access and a quick retrieval process. The project has assisted in the management of a large quantity of

growing corporate information and records through transfer to a suitable records storage facility in Gaborone. A master list of all files captured for easy retrieval was shared with relevant departments.

#### **Classification of records**

A Business Classification System (BCS) for the organisation of the Corporation's records was approved by the Botswana National Archives and Records Services (BNARS) in August 2021. BNARS is a regulator for public sector archives and records management in Botswana. The BCS was piloted successfully at the BPC Head Office. The implementation has been rolled out to BPC outstations such as the Gaborone Training School, Morupule A Power Station, and Morupule B Power Station, along with customer service touchpoints in Gaborone (Main-Mall), Palapye, Francistown, and Serowe. The BCS serves as a base for the folder structure for records control and organisation.

#### **Records Retention and Disposal**

A Records Retention and Disposal Schedule (RRDS) was developed for all the business functions of the Corporation. The RRDS assigns retention periods for each record and is linked to the BCS. It is a tool used to make decisions on how long the records shall be kept before destroying them or transferring those that have enduring value (archives) beyond the reason for their creation to an archival repository for permanent preservation. The RRDS was approved by BNARS in



October 2021. The tool will be used during the records appraisal process, leading to the appropriate disposal of some records accordingly during the 2023/2024 financial year.

#### **Knowledge Harvesting**

The KM Department has developed a Draft Knowledge Management Policy and Draft Knowledge Harvesting Procedures to guide the knowledge harvesting efforts across the Corporation. The implementation of the knowledge harvesting initiative will first focus on the power plants and later be rolled out to the rest of the Corporation.

#### **SECURITY OPERATIONS**

The Security Operations Department's role is to protect Corporation assets by identifying risks and implementing security countermeasures to curb losses. This includes:

- Driving compliance through investigations of breaches against policies
- Controlling the movement of people, goods, and machinery
- Surveillance management
- People security
- · Security risk management
- Developing a security culture by sensitising staff on security protocols and ownership of security.

The two units within the section are:

- · Intelligence and Investigations
- Operations

#### **Intelligence and Investigations**

The Unit's mandate is to minimise security risks exposure to theft, fraud, and vandalism while providing proactive and reactive investigations on malpractices as well as liaising with law enforcement agencies to curb crime on BPC assets.

#### **Operations**

The Operations Unit's purview is to provide the Corporation with oversight in physical security, facilities security, incident investigations, employee security and risk management. This is to curtail theft and vandalism of assets through the application of varied security measures ranging from security manned guarding, access control, and close-circuit television, in addition to adopting crime prevention technology through environmental design.

#### **Achievements**

- There were sensitisation campaigns for staff and Contractors to raise awareness of security protocols.
- An awareness session on whistleblowing was shared to promote a culture of reporting and limit malicious reporting.
- The establishment of agencies to develop strategies to combat crime as well as to create a platform for information sharing.
- Continuing investigations were undertaken to rein in noncompliance.

- The strengthening of partnerships with local law enforcement agencies through collaborative engagements, joint operations, and swift response to incidents.
- Access control and surveillance systems enhancement at some sites.

#### **Challenges**

- The prevalence of theft and vandalism on the network resulting in revenue leakage.
- The non-technical losses experienced due to meter fraud and related incidents.
- The inadequate optimisation of security systems.
- The COVID-19 pandemic and related protocols negatively affect the implementation of awareness plans for wider coverage.





The Department is made up of the following sections:

- Human Resources Services:
   This section deals with the 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.
- The Section exists primarily to upskill and develop human capital for the Corporation. The Section is responsible for capacity building and development of the Corporation's technical and nontechnical cadres by ensuring that employees have the necessary skills and competencies required for their roles in pursuance of the strategic agenda of the Corporation. The Section also creates opportunities for nurturing graduate trainees and interns.
- Organisational **Development:** This section is tasked with the enhancement of individual and performance. organisational The Section takes a lead role in the design and delivery of organisational development strategies that include talent management, succession planning and interventions to augment the culture of performance excellence in the Corporation as it undergoes structural and cultural changes.

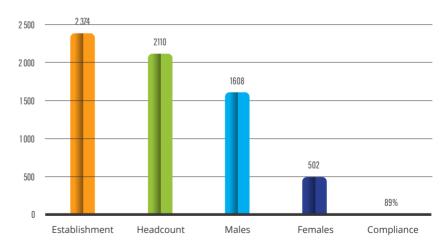
- Industrial and Employee Relations: This section's role is to develop and foster a fair, respectful, diverse, high-performance culture enabling employees to contribute their best while ensuring harmonious relations with the Union. It also develops, delivers, and maintains a business-focused employee relations strategy that meets the needs of the Corporation.
- Employee Health Wellness: This section exists to address employee health needs with a focus on physical, emotional, social and financial wellness. On expansion, these four areas are the pillars

of the Corporation's employee health program. These include chronic ill health management and issues of stress management; and occupational health, which is inclusive of medical health surveillance screening, as well as pre- and post-employment medical exams.

#### **HUMAN CAPITAL RESOURCING**

The Financial Year 2022/23 saw a small movement in the human capital resourcing plan as the Corporation continued to recruit and retain competent employees. The Establishment versus Headcount and Gender Profile are shown below.

#### **Establishment Vs Headcount**



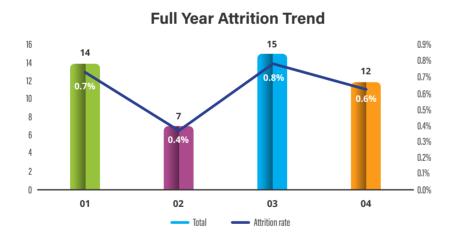
# Human Resources Department [continued]

The approved establishment for the Financial Year 2022/23 was increased by 10.8% from 2,143 to 2,374, and as of 31 March 2023, the head count was 2,110 or 89% recruitment into the structure. The vacancy status stood at 264 or 11% as of 31st March 2023 compared to the same period in 2021/2022 where it was 233 – 11%. Consequently, there was no change to the vacancy rate due to the increased approved establishment which showed an increase of 2% from the last financial year.

There were 200 new employees recruited during the 2022/2023 Financial Recruitment for key positions in the Transmission and Distribution (T&D). T&D has progressed well with some delays experienced at the Generation Department. However, the vacancies are at advanced stages of recruitment and should be filled soon.

#### **Manpower Attrition Analysis**

#### Manpower Attrition Analysis



The trend analysis for the full year shows a steady fluctuation in the Corporation's attrition rate. In comparison to the previous financial year, the overall attrition rate for 2022/23 stood at 2.2% as compared to 2.5% for 2021/22. This translates to a 0.3% reduction in the attrition rate. The Corporation has maintained a consistent attrition rate throughout the year, which is within the 10% recommended by International Standards.

The improvement in attrition rate is attributed to the Attraction and Retention Strategy which was approved and implemented during FY 2022/23. Newly introduced incentives such as housing allowance, commuted overtime allowance and an increase to 100% for lower-level staff in medical aid subsidy provided some motivation to staff, thereby reducing turnover.

#### **EMPLOYEE HEALTH AND WELLNESS**

The Corporation's established emplovee health and wellness programme seeks to promote a work-life balance culture amongst its employees. The provision of primary health care and occupational health services at the two power stations' clinics reinforces the significance of a healthy workforce. The Corporation Wellness section provides an array of wellness services which among others are curative, psychosocial, spiritual, and physical, while also offering economic services such as financial literacy. The intended objective is to promote health, fitness and exercise amongst employees, thereby saving money on healthcare costs, increasing productivity and reducing absenteeism within the Corporation.

#### **Absenteeism**

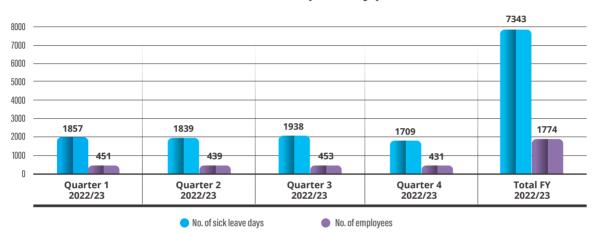
This section presents the Corporation's sick leave rate for the four reporting periods of FY 2022/23. The reviewed period shows a total of 1,857 days of absence compared to 1,804 days of absence recorded in FY 2021/22 Q4, an increase of 53 days in comparison to the previous quarter.

During FY 2022/23, a total of 1,774 employees were absent from work due to ill-health which resulted in a cumulative figure of 7,343 days. This translates to a sick absence rate of 1.59% which is slightly above the internationally acceptable rate of 1.5%. Health promotion and educational literature production are continually done to improve these figures.



#### Absenteeism Rate - Comparison Chart

#### Absenteeism Rate across the 4 quarterly periods of FY 2022/23



#### **Psychosocial Support**

Psychological counselling issues amongst the employees range from:

- Marital
- Suicide
- · Relationship problems
- Work-related distress
- Trauma
- Grief and bereavement

- Intrapersonal distress (psychiatric problems, childhood traumas, anger etc.)
- · Financial problems
- · Alcohol or substance abuse
- · Child maintenance issues.

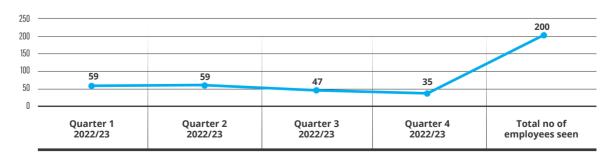
While some employees requiring assistance are seen within the Corporation, some psychosocial

services were outsourced to external counsellors, particularly in outer stations.

An average of 40 employees enrolled in the Employee Assistance Programme to access the psychosocial services availed to employees.

#### Psychosocial Clients Statistics for FY 2022/23

#### **Number of Counselling clients**



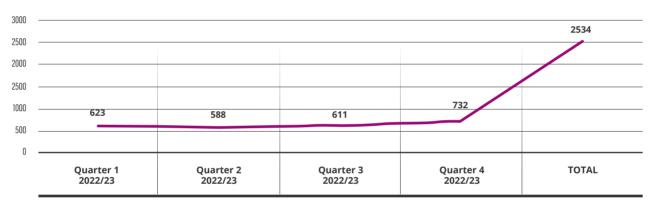
A customer satisfaction survey tool has been developed to gauge the effectiveness of the programme for employees. This tool is meant to measure service uptake and impact amongst the employees. The survey results will assist in establishing the existing service need gaps and how best employees can have their needs supported by the Corporation.

#### **Primary Health Care/Clinic Operations**

Morupule Power clinics exist to provide primary health care services and respond to the occupational health needs of the Corporation. The clinics serve all BPC employees and contractors at the two power plants. This service is further extended to the other BPC departments outside Morupule Power Stations (MPS) on clinical matters which include periodic medical examinations.

#### Generation Clinic consultations across the FY 2022/23





The Corporation procured the services of a medical doctor at Morupule Power station clinics to improve healthcare service provision as well as reduce lost production hours.

- Eased management of IOD resulting in quick recovery and return to work period.
- Outside referrals for medical doctor's attention both IOD management and prescription of chronic medication have been
- significantly reduced, therefore saving costs in fuel and ensuring the availability of paramedics in the power station.
- General management of chronic conditions that were undiagnosed and mismanaged. 12 employees have benefited from the revised protocols introduced by the doctor.

#### 4. Fitness and Exercise Activities

# Employee enrolment and participation

In its efforts to promote fitness and the adoption of positive lifestyles, the Corporation continues to enrol and sponsor participation by its employees in various fitness and health promotion activities. These include the Diacore Gaborone Marathon; The Orange Marathon held in Selebi Phikwe; the Palapye Marathon; the Kazungula Bridge Marathon as well and the BTC Marathon held annually in Francistown.



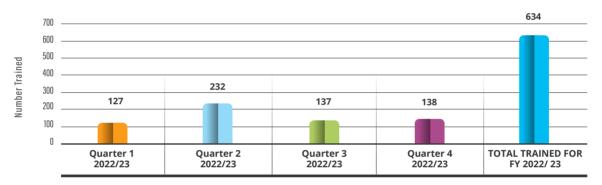
#### **HUMAN RESOURCES DEVELOPMENT AND CAREERS**

#### **Capacity Building**

Employee Learning and Development continues to be an integral part of the Corporation's strategic agenda. To drive the Maduo 2026 strategic pillar of attracting, retaining, and developing employees, the Corporation continues to capacitate and build employee competencies and skills. The total number of employees trained by the Corporation during the 2022/23 financial year totals 1165, of whom 634 were trained internally whilst 531 were trained externally.

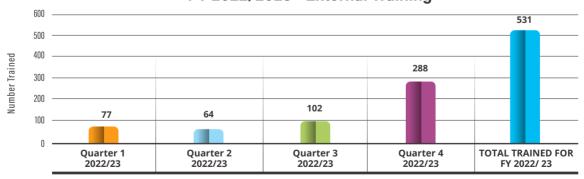
#### **Internal Training Interventions**

#### FY 2022/2023 - Internal Training



Quarterly Performance

#### FY 2022/2023 - External Training



**Quarterly Performance** 

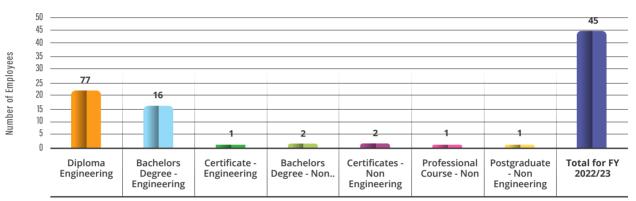
#### **Self-Study Programmes**

The Corporation continues to support employees to further develop and advance their skills and competencies through self-development training initiatives. The total number of employees trained on this initiative stands at 45 for FY 2023/2024.

# Human Resources Department [continued]

Approved Self Study Programmes - FY 2022/2023

#### **Approved Self Study Programmes - FY 2022/2023**



Self Study Programmes

#### **Graduate Trainees**

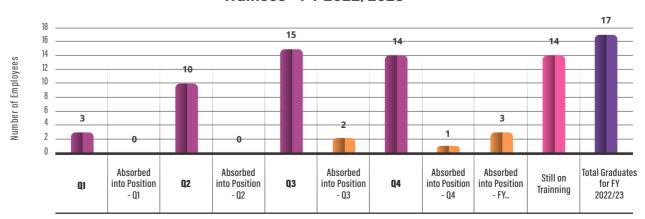
To develop future human capital, the Corporation recruits graduate trainees in various disciplines and develops them to the required standards. Upon successful completion of their training, the graduates are considered for substantive positions within the organisation depending on the availability of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

For the performance year under review, the Corporation had a total of 17 graduate trainees at various stages of the training programme. 3 of the 17 graduate Trainees have been appointed to substantive positions, whilst 14 are still undergoing training.

The Corporation also supports the Government's initiative of providing on-the-job training opportunities for fresh graduates who are absorbed into the organisation as interns and offered professional mentoring and coaching. At the end of the 2022/23 financial year, the total number of interns across the Corporation stood at 142.

#### **Graduate Training Programme Implementation**

#### Trainees - FY 2022/2023

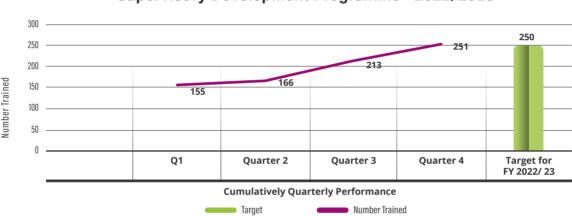




#### **Leadership Development Programmes**

To strengthen leadership quality and supervision skills the Corporation trains employees through Leadership Development Programmes. At the end of FY 2022/2023, the total number of employees who received supervision and management skills training stood at 251 against a target of 250.

Supervisory and Management Skills - FY 2022/2



#### **Supervisory Development Programme - 2022/2023**

#### **Resuscitation of Training**

As a way of resuscitating training, the Corporation has re-accredited non-credit bearing short courses which used to be within the ambit of the Botswana Qualifications Authority and have since been migrated to the Human Resource Development Council (HRDC). The following programmes have been re-accredited in line with the new HRDC requirement:

- I. Linesman Training
- II. Safety Rules (Senior Authorisation, Junior Authorisation, Competent Person)
- III. Cable Jointing and Termination
- IV. Substation Maintenance
- V. Power Plant Simulator Course
- VI. Basic Electricity
- VII. Transformers

#### **Reintroduction of Trade test Training**

For the Corporation to operate as a viable entity, it is expected to continually review its business and operating models in line with the changing environment and the business imperatives. It is from the foregoing that Management saw the need to resuscitate Trades Test Training at Gaborone Training Centre to improve employees' skills and competencies. 11 employees have been enrolled for Trade Test C and 14 employees enrolled for Trade Test B training.

# **Human Resources Department** [continued]

#### Implementation of FCTVEF/BPC **MOU Collaboration Initiatives**

The Corporation has entered into a Memorandum of Understanding (MOU) with the Francistown College of Vocational Education and Training (FCVET) which was officially launched on the 20th of May 2022. The MOU permitted BPC to use FCVET premises to construct a training yard to train employees and contractors in the northern part of the country. Employees based in the northern part of the country no longer have to travel to Gaborone to attend linesmen training courses which will result in cost reduction for the Corporation.

During FY 2022/2023 the Corporation trained 167 linesmen against a target of 223 under the FCTVE/BPC MOU dispensation. The table below depicts progress as at the end of FY 2022/23 regarding linesman training for BPC employees as well as pre-qualified contractors based in the northern part of the country.

#### Implementation of Training - FCTVE/BPC MOU

	Number Trained - FY 2022/2023		
	BPC Prequalified Contractors	BPC Employees	FCTVE
Target	177	43	3
Trained	88	74	5

Total Trained	167	
Pending	89	

#### **Morupule B Understudies**

Morupule B understudies programme is meant to ensure the effective operation and maintenance of Morupule B Power Station (MBPS) after the operations and maintenance experts' consultancy services contracts expire. The understudies for Plant, Maintenance, Production and Engineering Managers have been identified.

ΑII the understudies and stakeholders collaborating have signed the understudy programmes memorandum. The candidates are currently engaged in mentorship and coaching activities concurrently with on-the-job training.

As at the end of FY 2022/2023, the four understudy candidates had successfully passed all progress assessments and fulfilled all the training initiatives and scheduled mentoring activities for the year. They will be progressing to year 2 in FY 2023/2024.

#### **Morupule B Power Station Skills Development Strategy**

The Corporation has developed a Skills Development Strategy that is intended to build the capacity of the Morupule B Power Station Department (MBPS) Technical employees. The strategy is central to the Corporation's long-term goal of improving the performance of the plant and ensuring secure power supply for the country.

The Skills Development Strategy, which is under implementation, aims at putting together an L&D framework that will improve employee competencies sustainably. This will in turn influence better productivity in power generation in the shortest possible time.

#### Senior Authorised Persons and **Competent Persons**

The Corporation trains employees about safety rules to enable the safe operation of equipment. At the end of FY 2022/2023, 255 employees out of 408 employees have been certified as Senior Authorised Persons within the T&D Department. The pending 153 employees will be authorised during FY 2023/2024. The table below depicts the Transmission and Distribution Senior Authorised Persons' status:



#### Transmission and Distribution - SAP as at the end of FY 2022/23

TARGET - FY 2022/2023	CUMULATIVE NUMBER TRAINED PER QUARTER			PENDING	
	Q1	Q2	Q3	Q4	
408	231	233	243	255	153

As at the end of FY 2022/2023, there were a total of 141 out of a target of 120 employees that had been certified at different authorisation levels within the Generation Department. The training exceeded the target by 21 employees.

#### Generation - Authorisation as at the end of FY 2022/23

TARGET - FY 2022/2023	CUMULATIVE NUMBER TRAINED PER QUARTER			
	Q1	Q2	Q3	Q4
120	54	94	104	141

## TALENT MANAGEMENT AND SUCCESSION PLANNING

# Implementation of the Succession Planning Policy

- Following approval of the Succession Planning Policy during financial year 2021/22, identification of mission critical roles started in FY 2022/23. The identified critical roles formed the Corporation's Critical Roles Catalogue, which will be adopted for the purpose of Succession Planning & Talent Retention.
- Departmental succession plans are currently being reviewed and implemented. This process includes the identification of

- successors and their readiness levels. The plans are continuously updated to align with changes in the operating environment.
- Competency gaps are monitored and managed to increase the Corporation's bench strength and reduce the BPC's human resource risk. Competency gaps are addressed through structured development programmes led by the Learning and Development function.
- Several appointments have already been made within the Corporation as part of the succession planning initiative, which has contributed to the improved retention rate.

#### **EMPLOYEE/ INDUSTRIAL RELATIONS**

#### **Management and Union Relations**

The employee relations climate in Botswana Power Corporation remains harmonious. The Corporation has entered into a Collective Labour Agreement with Botswana Power Corporation Worker Union (BPCWU). The Union has a majority representation in the workplace, with a membership of over 1/3 of the Corporation's eligible employees as required by provisions of the law. To improve the union-management relationship, initiatives continue to be implemented to enhance relations through regular engagement with the Union. The following are some of the initiatives:

- Training of the Union's local branches undertaken to improve local consultation and effective resolution of issues at that level.
- Consultation meetings have been held monthly instead of quarterly.
- A Relationship-Building Initiative (RBI) has been conducted and the parties have identified problem areas in their relationship and agreed on mutually acceptable solutions and interventions.
- The relationship between Management and the Union is on an upward trajectory.

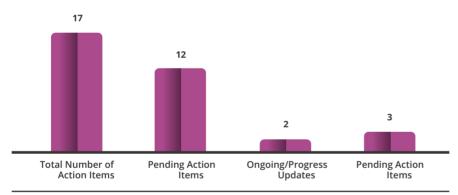
# Human Resources Department [continued]

#### **EMPLOYEE/ INDUSTRIAL RELATIONS [continued]**

To harmonise the relationship where either party may have felt aggrieved, the Corporation has proposed secretariat meetings between the Industrial Relation Office and the Union Secretary. This is further intended to monitor the implementation of relationship-building interventions and action items and to bridge the gap between Management and the Union.

To ensure that the bipartite relationship between Management and the Union runs seamlessly and that all issues that emanate as action items during the Joint Negotiating and Consultative Committee (JNCC) are closed, an addendum to the JNCC matrix has been developed to ensure that issues are addressed and closed.

#### **Union Management Relations**



**Union and Management Relations** 

#### **Employee Engagement**

#### **CEO Visibility Felt Leadership**

The CEO Visibility Felt Leadership roadshow across 15 Service Centres in the Central and Northern parts of the Country was to brief employees on several issues such as the pillars of the Maduo26 Strategy, promotion of the Zero Harm policy, reiteration of the zero tolerance on corruption stance, as well as discussions on staff welfare

issues. There were briefings on the successes, challenges, and solutions that the Corporation has experienced over the reporting period, along with projects to be undertaken including the Morupule B strategic initiatives on the refurbishment of the plant. This was also an opportunity for the employees to raise their concerns which were noted and are being addressed.

These meetings are meant to enhance transparency across reporting levels, improving employee morale through shared decision-making, and opening lines of communication across all channels. The Chief Executive Officer will continue to visit various stations in the Southern, Ngwaketse, Borolong, Kweneng, Kgalagadi and Ghanzi Districts respectively.

The CEO's visible leadership is testimony that indeed our people are our assets, ensuring that BPC's 'People First' value is lived through the employees' value proposition.

#### **Industrial Relations Engagement**

The Industrial Relations function embarked an employee on engagement campaign as part of improving employee experience. The campaign focused on employee education, raising awareness of key employee relations policies, and services provided by other support functions. Action plan matrices for both engagements have been developed to ensure a follow-up in addressing employees' concerns.

 The employee engagement forums were remedial activities to concerns raised by employees when responding to the 2020 Best Company to Work For survey that was conducted by Deloitte. Employees complained about ineffective communication from Management.









The role of the department is to facilitate the development of strategies, monitor performance, and report on the effective execution of these throughout the Corporation. Additionally, the department identifies business risks and develops mitigation protocols. It translates the strategy into actions and ensures alignment with shareholder expectations.

# STRATEGY AND TRANSFORMATION DEPARTMENT SECTIONS.

**Strategy Management:** Drives the end-to-end strategy management lifecycle through the development, monitoring, and evaluation of the strategy.

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

Change Management: Utilises the PROSCI Methodology to ensure change is delivered seamlessly and that internal stakeholders are appropriately resourced to manage change.

## HIGHLIGHTS OF THE FINANCIAL YEAR 2022/2023

The Botswana Power Corporation proudly introduced its transformative strategy, known as Maduo26, on May 5, 2022. This is a cornerstone of our Transformation Agenda, designed to position us at the forefront of enabling economic growth in alignment with government strategies. Our strategic vision is "To become a regional benchmark in energy supply" inspiring collaboration and adaptability while navigating the ever-changing landscape of the energy industry.

During the official launch of Maduo26, the importance of inclusivity throughout the development and implementation of the strategy was underscored. Greater inclusivity facilitates the dissemination of crucial information across the entire workforce, fostering a strategy-focused organisation that is aligned and has a clear line of sight between individual actions and corporate goals for effective execution of the organisational mandate.

To ensure rigorous adherence to strategy governance processes, we have been diligently conducting regular performance reviews with our Board, management, and core staff at various levels within the organisation. These ongoing assessments are

integral to our commitment to continuous improvement and enable the Corporation to respond swiftly and effectively to both internal and external challenges that may impact the execution of our strategic objectives.

These regular performance reviews have resulted in the refinement of our strategic document. Within our strategy map, we have introduced a new objective: "P7 - Increasing the Proportion of Renewables in the Energy Mix." This addition reflects the evolving dynamics in the energy sector, as we strive to strike the right balance between reliance on natural energy sources and our commitment to decarbonisation. The success of the strategy is contingent on closing the value gap through the effective implementation of initiatives such as Morupule B remedial works, asset care and maintenance, and digital transformation.

# Strategy and Transformation Department [continued] —

The Change Management office is continuing to grow its change agent network. Ten additional change agents have been appointed to increase the number to 22 in the financial year. These individuals were exposed to different aspects of the BPC work environment, given training on ISO 14001 and 45001, and MBA training. Change agents were also engaged in the Culture Change project in both generation plants.

#### **MBA System**

#### **Background**

The Corporation has adopted the MBA Business System to assist in the monitoring of business performance across all functional areas. The aim is to drive ownership at all levels to ensure that all internal stakeholders know and understand their role in the entire value chain, and are able to track how effective they are in driving the corporate strategy. This is a team focused performance management system, that dissects Corporate/ Departmental objectives operational goals that are tracked by individual semi-autonomous teams, at Work Centres, and ultimately the different sections at Generation, and other Support functions.

#### Mini Business Area (MBA) Roadshow

- 1. Phase 1 is 100% complete. 28
  Work Centres have been covered and 504 staff were trained.
  Preparatory work is ongoing to develop 3 model workplaces (Maintenance Mechanical (MBPS), SHER South, Maun Main Work Centre) that will serve as beacons of best practice. The Baseline assessment report is expected to be completed in the first quarter of FY 2023/24.
- 2. Phase 2 is 100% complete. 571 Generation staff at Morupule A and B power plants were trained in September 2022. The MBA Roadshow has so far reached over 1,000 employees. Emergency Generations plants, Orapa 90MW and Matshelagabedi 70MW Diesel Power Plants have also been covered by the Programme.
- 3. Phase 2 of the MBA workshops was conducted in collaboration with the Organisational Design section withing the Human Resources department to ensure the strategy alignment exercise is further cascaded into individual Performance Contracts. Staff were trained on how to objectively align their contracts with their MBAs and sectional scorecards.

- 4. The MBA training entails the following:
  - a) In-depth communication of the corporate strategy and departmental scorecards to the teams
  - b) Development of individual and team Key Performance Indicators (KPIs)
  - c) Performance tracking methods
  - d) Sharing the MBA maturity matrix for teams to self-assess their progress.

#### **MBA AUDITS**

#### **Audit Preparations**

An MBA Change Agent Network has been appointed from staff members at the different departments to provide ongoing support to the MBA programme and assist in the audit of the system and the fast tracking of the audit process.

#### **Audit Programme**

The Audit is taking place from the 13th to the 17th of February 2023 in all the 28 MBAs (Work Centres) trained in Phase 1. At the end of the Audit, best performing MBA will be rewarded as a way of reinforcing the change.



# MARKETING AND COMMUNICATION DEPARTMENT

The Marketing and Communications
Department has a mandate to promote and communicate the Botswana Power Corporation's brand, products and services both internally and externally. The department is responsible for the development and implementation of corporate marketing and communications strategies to support core business functions in execution of the overall Corporate Strategy.

# **Marketing and Communication**

## **Report** [continued] -

The Marketing and Communications Department has a mandate to promote and communicate the Botswana Power Corporation's brand, products and services both internally and externally. The department is responsible for the development and implementation of corporate marketing and communications strategies to support business functions in execution of the overall Corporate Strategy.

During the year under review the Marketing and Communication Department undertook several projects and activities aimed at improving the service offering, improving customer knowledge and experience.

#### **Public Education**

The Marketing and Communication Department undertook outreach activities to educate the public on various aspects of the Corporation's operations through different platforms. The core themes Electrical Energy were Safety, Efficiency, Vandalism & Theft, Tip-Off Anonymous, National Electricity Standard Connection Cost for Low Income Households, Tariff, newly introduced Split Smart Meters, and Rooftop Solar Program.

#### **Public Safety Education**

The cornerstone of our safety policy is the Zero Harm mandate. BPC strives to prevent loss of life as well as to have no person harmed by our operations. We make every effort to ensure the preservation of the environment and guard against damage to our equipment. Therefore, the Corporation through various media platforms embarked on a Safety Communication drive to sensitise the public about safe use of electricity.

Some of the notable activities are:

- Bulk messages (SMS)
- Social media and online platforms communication
- Distribution of Safety Posters to Kgotlas, District Administration & Council Offices, Public Toilets, Schools etc.
- Radio communication

#### **Brand Visibility and Exhibitions**

In its endeavour to take the BPC brand to customers, the Marketing and Communications Department in partnership with the Wellness Department participated in various brand awareness activities such as the Gaborone Diacore Marathon, Jwaneng Bush Walk, Selebi Phikwe Marathon and Palapye Half Marathon.

The Department also had exhibitions and activation stalls at the Business Botswana Northern Trade Fair, Ghanzi Show, Gaborone Consumer Fair and Boteti Mining and Agricultural Show to interact with valued customers and share information on different products and services that are available to them.

#### **Power Outage Communication**

The Marketing & Communication Department is responsible for communicating both planned and unplanned power outages to the public through various media platforms, i.e. online/social media, SMS, and all commercial radio stations, particularly our "Your Power Supply Snapshot" feature on RB2.

#### **Events Management**

The Marketing and Communication Department has undertaken several events such as the launch of Maduo26 Strategy, Solar Project Groundbreaking Ceremony in Bobonong and several Solar Project Signing Ceremonies since the start of the financial year.

#### **Corporate Social Responsibility**

BPC continues to show compassion to different communities in need. Through its Corporate Social Responsibility (CSR) mandate the Corporation has transformed the lives of school children, youth, elderly, women, and the sports sector. The Corporation made contributions to the improvement of basic education, health, and wellness through funding of beneficiary groups and individuals.

The Marketing and Communications Department is the overseer of the CSR strategies which are implemented through the CSR Committee that is made up of staff members from different departments.



Below are some of the initiatives which the Corporation has done;

PROJECT NAME	FOCUS AREA	DESCRIPTION
Palapye Elderly Wellness Day 2022	Health & Wellness	Provision of wellness services for a group of elders aged 65 and above.
Kavimba Primary School - Chobe Region	Education	Renovating the school library with furniture to support education and literacy.
Kediretswe Primary School	Education	A donation towards the school's prize giving ceremony.
Miss RADP Central District - Serowe	Community Upliftment	Sponsoring the beauty pageant to promote cultural preservation, talent, and empowerment of the youth in remote areas.
Kavimba Primary School Aircondition	Education	Renovation of the School Library and Prize Giving Ceremony Sponsorship.
Bamalete Lutheran Hospital Christmas Drive - Ramotswa	Health & Wellness	Donation of toiletry hampers, fruit hampers and kids' toys to patients.
Motlakase Power Dynamos	Health & Wellness/ Community Upliftment	Promoting sports by buying kits, tracksuits, trainers, and balls for the football team.
Used Gum Poles	Community Upliftment	The used gumpoles were donated to the following communities to use in their different activities:  • Mukibilo community  • Mopipi community  • Kopong community  • Bobonong community.
Tsogang Trust Elecrification - Mogoditshane	Community Upliftment	The Corporation partnered with Botswana Housing Corporation by covering the connection fee cost for the Tsogang Trust in Mogoditshane. The trust houses young people living with HIV & Aids.
House Electrification - Serowe	Community Upliftment	House electrification for a needy family in Serowe.
House Electrification - Gabane	Community Upliftment	House electrification for a needy family in Gabane.

# **Marketing and Communication**

# Report [continued]

PROJECT NAME	FOCUS AREA	DESCRIPTION
Ncaaq Primary School - Hukuntsi	Education	Sponsoring primary school leavers (Standard 7) with blankets, bags & toiletry as they start Junior secondary at a boarding school.
Ghanzi Ride - <i>Ghanzi</i>	Community Upliftment	Providing young mothers in the Ghanzi region with sanitary pads and toiletries.
Solarlight/Torch Donations - Sekhutlane - Mabule - Mmakgori - Tshidilamolomo	Education	Providing learners with solar torches to promote learning.
BDF Retired Members	Community Upliftment	Supporting retired soldiers who have no source of income.
Francistown Outdoor Gym	Health & Wellness	Promoting wellness by building a community outdoor gym for the Francistown community.



# ROOF TOP SOLAR PROGRAMME, APPLICATION PROCESS

The Department of Energy, under the Ministry of Mineral and Energy has adopted guidelines for a Rooftop Solar (RTS) Programme.

Botswana Power Corporation consumers can participate in the programme, which allows them to install a grid-tied ground or roof mounted solar system to generate electricity for their own use while selling any excess to BPC.

### **APPLICATION PROCESS**

#### What do I need to apply?

**Permit** – For all domestic, commercial & industrial (C&I) solar systems in this programme, the RTS consumer must obtain a permit (permits are for

- a 15 year term), which consists of an Interconnection Agreement and a Certificate of Completion:
  - Interconnection Agreement (ICA) For domestic consumers, the ICA is standardised and simplified, requiring minimum terms and conditions relating to safety and technical standards for the consumers to be connected to the grid.
  - Certificate of Completion After installation and inspection of the RTS system, BPC (or its representative) will certify its completion.

# For C&I solar systems between 100 kW and I MW:

Both a permit and generation licence must be obtained. Licences are for a 15 year term.

#### **Expansion RTS Application Process:**







The Department provides secretarial support to the BPC Board, Board Committees, and the Executive Committee.

The Secretariat supports the Corporation by ensuring that the interests of the Corporation are protected in all agreements and contracts with other parties.

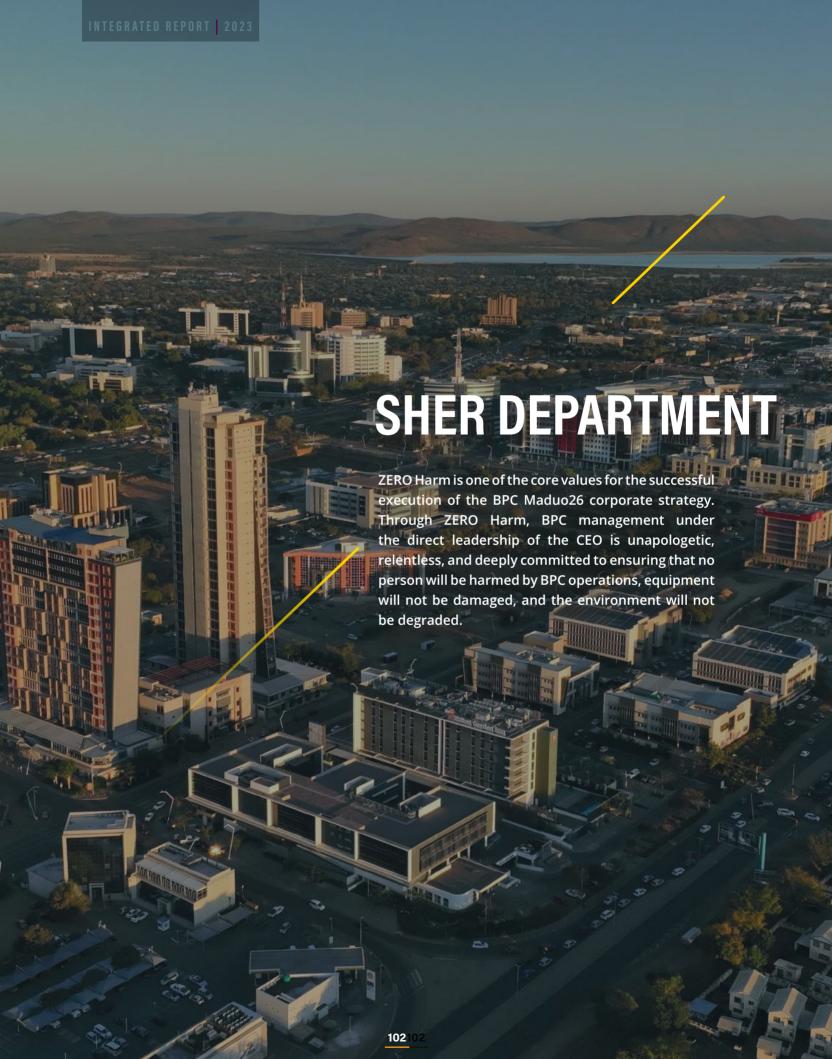
The Department further protects the rights of the Corporation as an entity by engaging legal representation in the Courts whenever required as well as providing independent legal opinion and advice. In addition, Service Level Agreements are signed with private law firms to harness their expertise in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

The Secretariat provides support across all areas of the business to ensure that the Corporation achieves its strategic objectives, which include covering the areas of contract drafting and negotiation, industrial relations,

legal advice and opinion, litigation, debt collection, corporate governance, and regulatory compliance.

The Board Charter was approved by the Board, and this paved the way for the Department to review the Terms of Reference of other Board Committees. The reviews and Board approvals were completed during the year under review.

The Department engaged the services of a qualified management consultant to assess the Board's performance during the year under review. The Department plans to add more value to BPC in the coming year by proactively engaging with the Botswana Energy Regulatory Authority (BERA) to achieve the granting of a licence to the Corporation. The licensing is intended to create a stable and predictable regulatory environment within which the Corporation operates. The Secretariat shall also procure a governance and regulatory compliance system which shall be an automated solution used to improve the governance and compliance functions.





# SHER Department [continued]

In its drive to further improve the SHE environment, BPC has also embarked on another key strategic initiative of implementing the newly adopted operational model, the integrated SHE Management System, which is aligned to the international best practice of ISO 14001:2015 (Environmental Management Systems) and ISO 45001:2018 (Occupational Health & Safety). The ultimate goal is to attain ISO 45001 and 14001 certifications by the end of the 2023/24 financial year. As such, our SHE Policy and SHE Management Systems are being reviewed for a smooth transition to the new system while bringing the Corporation a step closer to acquiring certification.

#### **Functions of SHER Department**

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

The Department reports to the Board Audit and Risk Committee (BARC) and Board Technical Committee (BTC). It also ensures that the corporate risk register is maintained, leads all determinations of probable risk factors and is responsible for the development and dissemination of appropriate mitigation approaches.

#### **Overview of SHE Performance**

Management has embarked on accelerated efforts to implement strategies that aim at curbing injuries, improving environmental conditions, and enforcing compliance with the Corporation's SHE requirements. Comprehensive investigations were conducted for incidents that occurred over the reporting period culminating in the development and implementation of corrective and

preventive action plans. Key focus areas included a review of safety documents to align with the BPC Mechanical and Electrical Safety rules, enhanced line management visibility and replacement of old equipment across the Corporation.

These combined efforts have proven to be effective as SHE Performance has greatly improved For the Financial year 2022/23, with LTIFR at 0.13 against a target of 0.40, while TRIFR is at 0.26 against a target of 0.75.

Total Recordable Injury Frequency Rate trends (2019/20 to 2022/23)

The Corporation has observed a tremendous reduction in recordable injuries over the years since the inception of Maduo26.

#### Total Recordable Injury Frequency Rate (TRIFR Trends)

TRIFR Trends

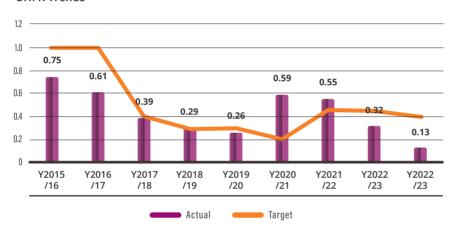


#### · Lost Time Injury Frequency Rate (LTIFR)

The LTIFR was recorded at 0.13 against a target of 0.40 for the 2022/23 reporting period. A significant improvement compared to the 2021/22 performance at 0.34 against 0.45.

#### **Lost Time Injury Frequency Rate (LTIFR Trends)**

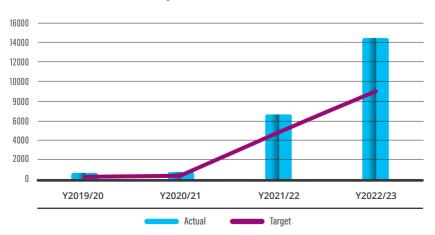
#### LTIFR Trends



#### Reporting of Near – Hits Q4

As part of BPC's efforts to inculcate a proactive approach to reduce workplace injuries, employees are encouraged to report near hits. Over the years, there has been significant improvement in the reporting of near hits, and this is attributed to strong support by the top management and awareness training provided. Line management is further encouraged to close off all the open actions emanating from the reported near hits.

#### Near Hit Reports - 2019/20 to 2022/23



#### Environmental Performance

Environmental Performance as per the Environmental Monitoring Plan has been compliant. Monitoring of the following aspects is being done:

Air Emissions: MBPS air emissions monitoring is being conducted and for the year under review, the SOx emissions were above the limits due to various factors including challenges with the limestone conveying system. Other emission parameters (NOx and dust) are within limit as per the BOS 807:2019. Fallout dust monitoring of less than 50µm is done to increase the environmental surveillance within and around the areas we operate.

#### Ambient air quality monitoring:

Continuous environmental air quality monitoring is being done at Kgaswe school and Morupule Coal Mine (MCM) air vents. The MCM station underwent major equipment maintenance including servicing and calibration in March 2023. The stations have performed well within the performance standards limits as specified in the BOS 98: 498 and World Health Organisation guidelines.



# SHER Department [continued]

Waste management: In line with BPC's commitment to prevent environmental pollution, Corporation has developed implemented waste management programme. During the year under review, the salvage yards at the generation plants were licensed and operated within the parameters specified by the license requirements. Removal of hazardous waste was initiated and a total of 3,735kg of CFLs were crushed and safely disposed of and a total of 70,470 litres of waste oil was recycled. The Corporation implemented two projects aiming at rehabilitating contaminated soil and these were successfully implemented at Tutume and Semotswane.

# Major activities done during the reporting period

The SHER Department was successful in executing several significant interventions across the Corporation during the 2022/23 reporting period that will improve Safety, Health, Environment, and Risk Management Standards throughout the Company.

#### Integrated SHE Management System Project

In line with industry best practices and global business dynamics, the Corporation has decided to adopt an integrated management system based on the International Standards Organisation (ISO) Standards namely, ISO 14001:2015 (Environment), and ISO 45001:2018 (Occupational Health and Safety).

The BPC SHE management system review is ongoing with the main goal of ensuring SHEMS conforms with BPC's requirements and adheres to best practice requirements in line with the ISO Standards viz: ISO 14001:2015 and ISO 45001:2018. The project is at its final stages with the new SHEMS manual at the final draft review stage. Implementation plans are underway to roll out the programme, which includes training (internal and external), procedure briefing and data consolidation, to end users. Final certification is planned for the end of Q4. 2023/24.

#### Back to Basics Safety Campaign

The Back-To-Basics safety campaign was launched across the Corporation in October 2022 as a process intervention which aimed to accelerate the Zero Harm journey towards operational efficiency and build a world-class organisational SHE culture.

The intervention also highlighted critical management and operational controls that are commonly overlooked and often taken for granted to guard against any potential accidental loss.

#### Environmental Management Initiatives

 A Vegetation Management Plan that BPC has implemented provides guidelines for managing vegetation near powerline servitudes. Understanding the many vegetation biomes, ecoregions, and protected species found in Botswana is necessary for managing vegetation under powerline servitudes in a sustainable manner.

- A proactive initiative to engage the public to report defective equipment and conduct preventative maintenance on transformer equipment that is leaking oil and causing environmental pollution.
- Morupule Plant registration of plant stacks is underway. The installation and commissioning of MAPS Continuous Emission Monitoring System (CEMS) and MBPS CEMS verification as per BOS 807:2019 will be conducted soon.
- Environmental Management Plans for Seronga and Orapa Power Plants have been completed as monthly monitoring is conducted.

- A third ambient air quality monitoring station is being procured to increase surveillance of emission parameters from the Morupule A and B power stations. A new ambient air quality monitoring station will be installed at the Morupule Coal Mine village.
- Since April 2023, 20,800L of old transformer oil for recycling has been collected in the South region.

#### Occupational Hygiene Programme

Occupational Hygiene Surveys were undertaken at various BPC facilities to proactively identify and mitigate against occupational-related illness. The recommendations from the findings of the surveys are being implemented and tracked.

#### Commemorative days

Through SHER, BPC took part in the commemoration of World Day for Safety and Health at Work 2022, which was held in Masunga on the 28th of April 2022 under the Theme, "Act Together To Build A Positive Safety & Health Culture". Other BPC regions also commemorated the day at various places such as Kanye for the Southern region and Palapye for the Central region.

The BPC team also celebrated World Environment Day through information dissemination and awareness raising. This included the Earth Hour drive which was commemorated in Iwaneng

#### **Enterprise Risk Management**

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

The ERM process is guided by the following key principles:

- Philosophy The enterprise will take on a level of risk in line with its risk appetite.
- Culture BPC fosters a corporate culture which accepts informed risk-taking within а determined range as fundamental to its business, provided that risk identification, mitigation and monitoring processes are established to ensure the continuing strength of the organisation.

- Education BPC promotes training and risk awareness among its Board members and employees.
- Learning BPC promotes the review of past risk events to capture learning from these past experiences.
- Standards A common approach to risk management and reporting is in place to promote consistency and best practices in the managing, monitoring and reporting of risk including a "common language" used by BPC in discussing risk.
- Risk ownership Responsibility for ensuring the quality of data recorded in the risk register as well as risk mitigation including the performance results of the intervention programme and reporting lies with the Business/ Support Units Directors.
- Independent assurance BPC will obtain periodic independent assurance (i.e., Internal and External Audit Services) that systems of risk management and internal control are operating efficiently and effectively.
- Integration BPC promotes the integration of risk management into everything that is done including planning, budgeting, compensation, acquisitions, dispositions, and projects.

# **SHER Department** [continued]

There are five primary steps in the ERM process. It is important to ensure that ERM processes and risks are re-evaluated and updated continuously to reflect new information and experiences. Guaranteeing that all significant risks are appropriately identified and addressed and that any material opportunities are not overlooked.

BPC has adopted a "bottom-up" and "top-down" approach in the identification and evaluation or assessment of risks. From the bottom. risks are identified and evaluated or assessed where they occur in the dayto-day operations and then captured in business unit risk registers. The top risks of the business units are incorporated into the Corporate Risk Register which will contain the top risks of the Corporation.

The Executive Committee takes a strategic view of the identified risks and assesses them against BPC's goals, objectives, and business priorities. The Executive Committee therefore takes responsibility for the management of the top business risks.

# Safety Procedure

Work Safe





# Internal Audit Department [continued]

The Internal Audit Department is the eyes and ears of the Board on the shop floor to ensure that governance, enterprise risk management, and control frameworks are adequate and effective to support the achievement of the corporate objectives.

The Department derives its mandate from a Board-approved Internal Audit Charter which gives a full unfettered mandate to carry out assurance, consultancy, and special assignments. The Internal Audit department is made up of IT Audits and Field Teams sections. The IT Audit section is responsible for:

- IT Audits
- Evaluation of the adequacy and effectiveness of information technology governance, risk management, and general controls
- Provision of analytics services to Internal Audit teams.

The Field Teams Section mandate encompasses:

- Operational Audits
- Financial Audits
- Special Assignments

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

The Corporation has seen a growing awareness of good ethical behaviours demonstrated by the continued use of both the whistleblowing reporting line, reporting outside the chain of command, and the Directorate on Economic Crime and Corruption. BPC continues to engage with its stakeholders to promote whistleblowing. Furthermore, there has been some improvement in the control environment as identified by an improving closure of issues and fewer red audits.

The Annual Audit Plan for the coming year (2023/24) has significant changes in the audit methodology, encompassing the transition to a continuous auditing process and the use of a combined assurance forum. The timeous methodological adjustment will assist BPC in overcoming the challenges brought by digitisation and reliance on big data. It enables the department to increase the depth and breadth of assurance coverage due to enhanced frequent assurance visibility at a control and process level.

The Department plans to carry out its Quality Assurance and Improvement Support programme in the financial year 2023/24 and a final external assessment programme in the first quarter of the 2024/25 financial year.





# SUSTAINABILITY REPORT

Sustainability Report

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# Sustainability Report [continued]

# Botswana Power Corporation supports Sustainable Development Goals

As a strategic asset of Government, Botswana Power Corporation aligns with the Botswana Government Vision 2036 roadmap which outlines the Government's approach to addressing the United Nations Sustainable Development Goals (SDGs).

Botswana's Integrated Resource plan for energy is wholly based on sustainability, reflecting how sustainability has become elemental to the Corporation's existence.

To showcase the Corporation's commitment to sustainability, this report covers the following SDG goals:

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



# SDG 3 - Good Health and Wellbeing

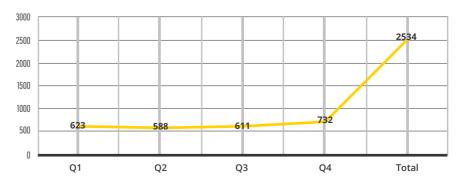
As guided by SDG 3 ¬of Good Health and Wellbeing, the Corporation has established an employee health and wellness programme to promote a work life balance culture amongst its employees. The Corporation's Wellness section provides an array of wellness services. These services psychosocial, include curative, spiritual, physical and economic services, such as financial literacy, with the objective of promoting health. fitness and exercise amongst employees, thereby saving money on health care costs, increasing productivity and reducing absenteeism within the Corporation. Additionally, the provision of primary health care and occupational health services at the two power stations' clinics reinforces the significance of a healthy workforce.

# Primary Health Care/Clinic Operations

The Morupule power station clinics exist to provide primary health care services and respond to the occupational health needs of the Corporation. The clinics serve all employees and BPC contractors at the two power plants. This service is further extended to the other BPC departments outside Morupule on clinical matters which include periodic medical examinations. Clinic consultations on a variety of medical concerns during the period under review are presented below.

During 2022/2023 the Corporation engaged a medical doctor at the Morupule power station clinics which enhanced the quality of health care service provision and reduced lost production hours, facilitating the management of IOD and resulting in quick recovery and return to work time.

# **Number of Clinic Consultations**





### **Fitness and Exercise Activities**

In an effort to promote fitness and the adoption of positive lifestyles, the Corporation continued to enrol and sponsor participation by its employees at the various fitness and health promotion activities. These included the Diacore Gaborone Marathon, the Orange Marathon in Selebi Phikwe, the Palapye Marathon, the Kazungula Bridge Marathon and the annual BTC Marathon in Francistown.



## **SDG 5 Gender Equality**

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

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

Total Headcount as at 31.03.2023

# TOTAL HEADCOUNT AS AT 31.03.2023

FEMALE	MALE	TOTAL
489	1,577	2,066

Due to the nature of its operations, one of the scarce skills within the Corporation is engineering, which remains a male-dominated profession. However, over the years the Corporation has devoted considerable effort to training and availing employment opportunities to females. As per the table below, 25% of the Executive Management team is female, an indication of BPC's commitment to creating equal employment opportunities for both women and men across all levels in the Corporation.

Executive Management Headcount as at 31.03.2023

# **EXECUTIVE MANAGEMENT HEADCOUNT AS AT 31.03.2023**

FEMALE	MALE	TOTAL
3	9	12



# SDG 7 – Affordable and Clean Energy

Increasing access to and improving affordability of electricity is central to the Corporation's *raison d'etre*, and it is against that background that the Government provides funding for the following BPC programmes to ensure that communities have access to affordable and clean energy:

**Electrification** Rural **Programme:** Funded by Government to give rural areas access to electricity, this programme plays an important role in the social and economic development of these areas. The Corporation embarked on a new programme in February 2022 following budget approval of P50 million by the Ministry of Minerals and Energy. The programme comprises 40 villages: 5 new villages, 12 network extensions and closing gaps in 23 villages. As at March 2023, 33 of the 40 villages had been completed, with the remaining programmed for completion in June 2023, and 23 more village electrification projects were approved and are anticipated to be completed midway through the next financial year.

# Sustainability Report [continued]

- National Electricity Standard Cost: This ongoing programme, introduced on 1st October 2010, allows scheme participants to pay a standard charge of P5,000 for a connection. Connection fees for the disadvantaged (those earning less than P3,000.00 per month) were reduced from P5,000.00 to P2,500.00. The Corporation claims the difference between this standard charge and the actual cost of the connection from the National Electricity Fund. In the 2022/23 financial year, there were 13,891 beneficiaries.
- Solar PV Development: The Corporation has embarked on a renewable energy programme to develop a new energy mix which includes a 100MW (2x50MW) Solar plant and grid-connected Small-Scale Solar PV plants located in 12 different villages. During the period under review, the Corporation signed three Power Purchase Agreements (PPAs), as well as terminated three small-scale PPAs after the bidders failed to reach financial closure.



# SDG 8 Decent Work and Economic Growth

The Corporation complies with Government's set guidelines and regulations to promote citizen economic empowerment and upscale job creation. At the end of the 2022/2023 financial year, the Corporation employed 2,063 citizens and three expatriates, which represents a citizen employment rate of 99.8%. This is a testament of the Corporation's commitment to provide employment opportunities to Batswana.



# SDG 12 – Responsible Consumption and Production

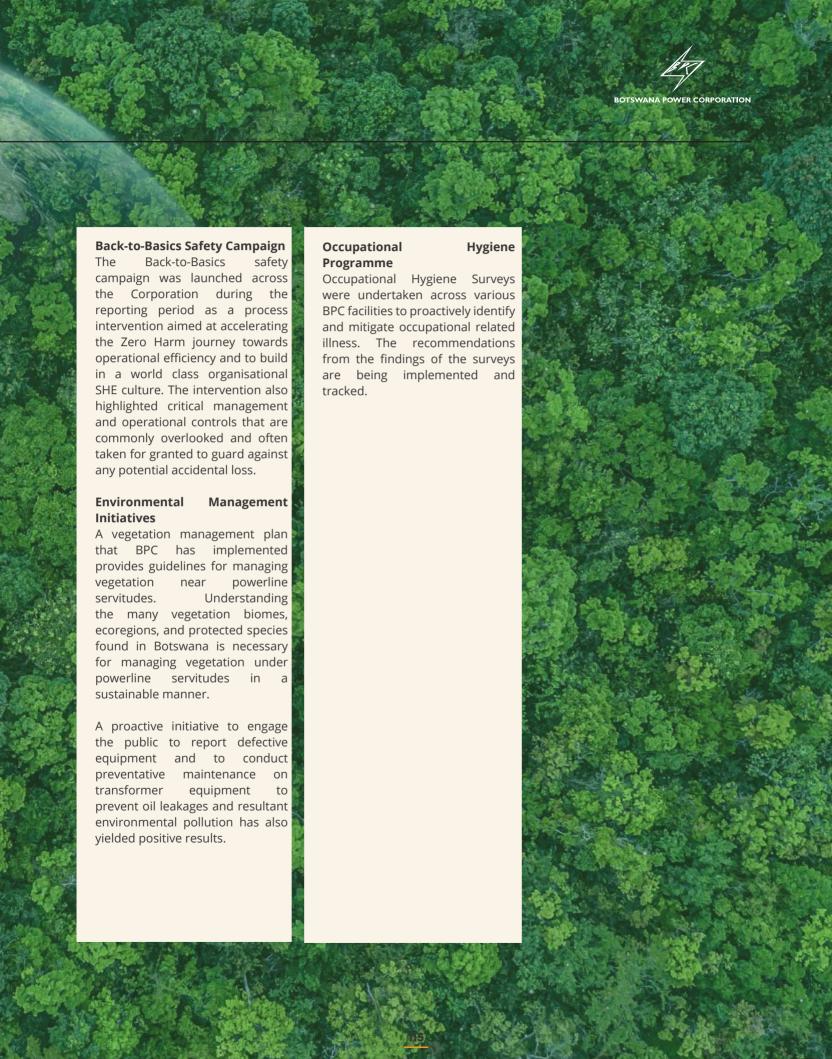
Safety and Environment
In an endeavour to improve Safety,
Health, Environment, and Risk
Management standards throughout
the organisation, BPC continues to
make strides in upholding the safety
of its employees, customers, service
providers, and the public at large,
coupled with efforts to protect the
biophysical environment in which it
operates.

For the 2022/2023 reporting period, BPC embarked on a key strategic initiative of implementing a newly a adopted operational model, the integrated SHE Management system, which is aligned to the international best practice of ISO 14001:2015 (Environmental Management Systems) and ISO 45001:2018 (Occupational Health & Safety). It is against this background that the corporate SHE Policy and SHE Management system were under review during this reporting period to allow for a smooth transition to the new SHE Management system and to place the Corporation in a better position for acquiring Certification.

The following significant activities aimed at improving Safety, Health, Environment and Risk Management standards across the corporation were undertaken during the reporting period:

# Integrated SHE Management System Project

In line with industry best practices and global business dynamics, the Corporation decided to adopt an integrated management system based on the International Standards Organisation (ISO) standards ISO 14001:2015 (Environment) and ISO 45001:2018 (Occupational Health and Safety).







# GOVERNANCE REPORT

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# **Corporate Governance Statement**

**Botswana Power Corporation** is committed to the highest standards business integrity, ethical values and professionalism all activities. The Corporation places a strong emphasis on achieving and upholding principles of the highest business ethics and corporate governance.

Adherence to sound principles of corporate governance is key to earning and maintaining stakeholders' trust and achieving performance goals.

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

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

BPC's approach to corporate governance ensures that:

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





# **Compliance Statement**

Corporation is subject to enquiries, requests for information, audits, investigations, legal and other proceedings by regulators, governmental and other public bodies in connection with legislation compliance with regulations, electricity generation activities and other areas of business in which BPC operates.

The decisions and actions taken by the Board ensure that the Corporation subscribes to full compliance with applicable laws, regulations and governance practices. This function is delegated to the Board Audit and Risk Committee.

During the financial year, the Corporation did not receive any adverse assessments regarding compliance with the requirements of the legislation and regulations governing the electricity subsector. Notwithstanding the above, the Board Audit and Risk Committee noted that

BPC is only partially compliant with

legislation and regulations, as sulphur emissions during the year were above set standards. However, measures were put in place to remedy the situation.

Data protection action plans are being implemented to comply with the Data Protection Act. The Board Audit and Risk Committee was satisfied that adequate plans were put in place to ensure compliance by the Corporation.

# **Board Organisation** and Structure

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

In the execution of its duties, the Board is guided by a Board Charter that sets out its role, duties and responsibilities. The Charter provides for structures, procedures and processes, which assist the Board in regulating how it conducts its affairs.

### **Composition of the Board**

The Minister of Minerals and Energy appoints the BPC Board Members, in terms of section 4 of the BPC Act. The Board is responsible for setting the direction of the Corporation's strategic affairs. Botswana Power Corporation has a unitary board structure, where the Board is comprised of exclusively non-executive members, the BPC Act presently prohibits an employee of the Corporation from being a

director on the Board, however, the Corporation is working on amending the above-stated Act. Eight of the members, inclusive of the Chairman, independent non-executive directors and one is a non-executive and non-independent director, who is an employee of the parent Ministry. This structure ensures that the Board maintains a high level of objectivity and independence in its deliberations and resolutions. The CEO is entitled to attend meetings of the Board and participate in its discussions.

Conforming to the dictates of the King (IV) Code of Governance for South Africa 2016, which is accepted by the Corporation as a sound and robust benchmark for best corporate governance practice, the roles of the 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, management, resources, ICT, audit, risk management, finance and law. This ensures that the

strategic direction provided by the Board to the Corporation is diverse, knowledgeable, vigorous, and sound.

The Board is committed to the development of corporate governance matters.

# In this Annual Report:

- Executive Management are senior employees who are involved in the day-to-day management of the Corporation.
- Non-Executive Directors may be nominees or representatives of the shareholder.
- Independent Non-Executive **Directors** are neither involved in the daily management of the Corporation, nor are they nominees or representatives of the shareholder.

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

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



### **Board Meetings**

The Board meets at least four times annually to discuss matters relating to strategy & performance, financial position, audit & risk management, human resource matters, sustainability, governance, related issues. 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 Committees to assist it in the execution of its oversight role.

These Committees' respective Terms of Reference detail the Committees' responsibilities and powers, and are as follows:

# Board Finance and Investment Committee

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

### Chairperson:

Mr. Phodiso Valashia > Independent Non - Executive Director

#### Members:

Mr. Pelaelo Khowe > Non - Independent Non Executive Director

Ms. Cheryl Rabashwa > Independent Non - Executive Director

Mr. Mothusi Obateng > Independent Non - Executive Director

### **Board Audit and Risk Committee**

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

- The integrity of the Corporation's financial statements, systems and /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 letters from the Auditor
- The performance of the Corporation's Internal Audit Corporate Support Unit
- The appointment and supervision of the General Manager, Internal Audit.

# Chairperson:

Mr. Mothusi Obateng > Independent Non - Executive Director

### Members:

Mr. Moreri Sebonego > Independent Non - Executive Director

Ms. Lilly Sullivan > Independent Non - Executive Director

Mr. Phodiso Valashia > Independent Non - Executive Director

# Board Procurement and Tender Committee

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

# **Board Organisation**and Structure [continued]

# Board Procurement and Tender Committee [Continued]

### Chairperson:

Mr. Robert Akanyang - *Independent Non - Executive Director* 

### Members:

Mr. Moleko Majaha > *Independent Non - Executive Director* 

Mr. Pelaelo Khowe > Non - Independent Non - Executive Director

Mr. Moreri Sebonego > *Independent Non - Executive Director* 

Mr. Mothusi Obateng > *Independent Non - Executive Director* 

### **Board Human Resources Committee**

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

- The Corporation's human resources policies, strategies and plans including remuneration and benefits for the employees, longterm incentive plans, retention targets and plans
- The appointment of Executive Management
- The Performance Management System
- The Human Resources strategy.

# Chairperson:

Ms. Cheryl Rabashwa > *Independent Non - Executive Director* 

#### Members:

Mr. Phodiso Valashia > *Independent Non - Executive Director* 

Ms. Lilly Sullivan > Independent Non - Executive Director

Mr. Robert Akanyang > *Independent Non - Executive Director* 

### **Board Technical Committee**

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

### Chairperson:

Mr. Moleko Majaha > *Independent Non - Executive Director* 

# Members:

Mr. Pelaelo Khowe > Non independent Non - Executive Director

Mr. Robert Akanyang > *Independent Non - Executive Director* 

Ms. Lilly Sullivan > *Independent Non - Executive Director* 

### **Board Ad-hoc Committees**

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

# Board of Directors' Declaration of Interest

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

#### **Board Secretary**

The Board Secretary, Ms. Kusigani Mbambo, who was appointed with effect from 1st November 2020 in terms of the BPC Act, is a qualified attorney with over 16 years' experience. The Board Secretary is responsible for guiding the Board of Directors on their duties, responsibilities and powers. She advises the Board 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	Other Board Assignm ents	Board Finance and Inves tment Commi ttee	Board Audit and Risk Commi ttee	Board Procur ement and Tender Commi ttee	Board Human Resou rces Commi ttee	Board Technical Commi ttee	Board Procu rement Comp laints and Appeals Commi
Prof. Oboetswe Motsamai	4/4	4	24	-	-	-	-	-	-
Ms. Lillian Lilly Sullivan	4/4	4	12	-	3/5	-	4/4	3/5	-
Mr. Pelaelo Khowe	4/4	4	26	5/5	-	1	-	5/5	-
Ms. Cheryl Rabashwa	4/4	4	13	1/5		-	4/4	-	-
Mr. Phodiso Valashia	4/4	4	16	5/5	4/5	-	3/4	-	-
Mr. Robert Akanyang	4/4	4	27	-	-	1	4/4	5/5	-
Mr. Moreri Sebonego	2/4	4	10	-	2/5	1	-	-	-
Mr. Mothusi Obateng	4/4	4	13	4/5	5/5	1	-	-	-
Mr. Moleko Majaha	2/4	4	16	-	-	1	-	5/5	-

# Remuneration Report

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

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

ROLE	Allowance per Meeting (BWP)
Board Chairman	2,250.00
Board Member	1,800.00
Committee Chairperson	2,250.00
Committee Member	1,800.00

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

Member	Position	Total Sitting Allowance Earned (BWP)
Prof. Oboetswe Motsamai	Board Chairman	92,500.00
Ms. Lillian Lilly Sullivan	Independent Non - Executive Director	43,200.00
Mr. Pelaelo Khowe	Non - independent Non Executive Director	99,000.00
Ms. Cheryl Rabashwa	Independent Non - Executive Director	51,750.00
Mr. Phodiso Valashia	Independent Non - Executive Director	77,850.00
Mr. Robert Akanyang	Independent Non - Executive Director	87,750.00
Mr. Moreri Sebonego	Independent Non - Executive Director	34,200.00
Mr. Mothusi Obateng	Independent Non - Executive Director	56,700.00
Mr. Moleko Majaha	Independent Non - Executive Director	48,600.00

## **EXECUTIVE MANAGEMENT TEAM REMUNERATION**

Member	Position	Total Sitting Allowance Earned (BWP)
Mr. David S. Kgoboko	Chief Executive Officer	3,132,250.60
Mr. Oaitse Ramasedi	Chief Financial Officer	1,232,907.88
Mr. Letlhogonolo M. Bantsi	General Manager Human Resources	1,220,795.08
M. Edward S. Rugoyi	General Manager Generation	1,425,457.79
Mr. Emmanuel Bopadile	General Manager Internal Audit	2,229,577.38
Mr. Bojosi Gaothuse	General Manager Transmission & Distribution	1,618,154.08
Ms. Kusigani Mbambo	General Corporate Counsel	1,199,014.18



### **Internal Controls**

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

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

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

## **Internal Audit function**

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

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

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

Internal Audit is also expected to advise the Board whether the Corporation's framework of risk management, internal control and governance processes, as designed by Management, is adequate and functioning. Internal Audit has an Internal Audit Charter setting out the independence of the function, which has been adopted by the Audit and Risk Committee and approved the Board.

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

The Internal Audit Charter places considerable emphasis on:

- Independence of the Internal Audit function
- Integrity and professionalism within internal audit
- · Risk-Based Internal Auditing.

The Internal Audit function follows a risk-based methodology to develop the annual audit plan, which is reviewed and approved by the Audit and Risk Committee. The Chairperson of the Audit and Risk Committee appraises the Board on the duties of the Internal Audit function on a quarterly basis. All the work is conducted by appropriately qualified and experienced team members and follows the Institute of Internal Audit Standards. To improve agility and efficiency, the Internal Audit function has invested more on the use of technology (Computer Aided Audit Tools (CAATs). The increased use of data analytics tools has enabled the function to perform robust audit tests and timely sharing of audit results with meaningful insights.

# **Remuneration Report** [continued]

As the business shifts towards digital transformation, the function has also explored ways of tapping into the digital world through the use of robotics. A summary of audit results, progress against delivery of the audit plan and progress in closing both Internal and External Audit findings items are presented bi-weekly to Executive Management and quarterly to the Audit and Risk Committee. The Committee actively reviews the Internal Audit submissions and appraises the Board accordingly. Through the anonymous tip-off line managed by Deloitte, Internal Audit investigates all reported cases and conveys findings and recommendations to the Managing Director and the Audit and Risk Committee.

# Safety, Health, Environment and Risk Management

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

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

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

### **Code of Conduct and Ethics**

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

# Compliance with laws and other legal requirements

The Board is cognisant of its responsibility and is explicitly committed to upholding ethical behaviour in conducting it business. The Board, through the Corporate Secretariat Department, endeavours to ensure that the Corporation complies with the laws and regulations of Botswana.



# Application of the King IV Code Principles 2022

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

King IV Reference	King IV Principle	Applied	Commentary
Principle 1	The Board should lead ethically and effectively.	Partly Applied	The Board is the focal point and custodian of corporate governance as per the Board and Committee Charters. Board members are required to comply with the Board Charter, which embodies the ethical characteristics listed in King IV. The Board and Committee Charters set the tone and outline its responsibility to ensure that BPC is ethically and effectively managed. The Charters are reviewed every three years. The Board will review the Charters during the year 2023/24 to align the review period with the King IV recommended yearly review.
Principle 2	The Board should govern the ethics of the company in a way that supports the establishment of an ethical culture.	Partly Applied	The Board has not specifically delegated the responsibility for governance of ethics to any of its committees, however, the Board Secretary reports on matters of governance to the Board Audit and Risk Committee (BARC).
Principle 3	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Partly Applied	The Board assumes and accepts the responsibility for responsible corporate citizenship.  The Board supports the Government of Botswana in the implementation of its citizen economic empowerment, local procurement, economic diversification policies, and local preference scheme by ensuring that the Corporation implements the appropriate procurement processes. The Board assesses and approves BPC's environmental management plans.  The Corporation has registered a Trust, the Botswana Power Corporation Foundation which will manage the Corporate Social Responsibility programme. The Corporation will present the BPC Foundation to the Board for approval during 2023/24.

# Application of the King IV Code Principles 2022 [continued] —

King IV Reference	King IV Principle	Applied	Commentary
Principle 4	The Board should appreciate that the Company's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Applied	The Board approves and monitors the implementation of the Corporation's strategy and business plans. The Board holds an annual strategy session, at which it deliberates on the Corporation's strategy, assesses the risks and opportunities, considers progress made in the implementation of the strategy and ensures that it is in line with the Corporation's mandate and long-term success and sustainability of the business.
Principle 5	The Board should ensure that reports issued by the Company enable stakeholders to make informed assessments of the Company's performance, and its short, medium- and long-term prospects.	Applied	Through an effective control environment, the Board ensures appropriate management structures and a robust assurance framework, and that all external communication and reports are issued in compliance with legal requirements and meet the legitimate and reasonable information needs of material stakeholders.  The Board, through the Audit and Risk Committee, is responsible for the Corporation's financial reporting and sets the direction for how it should be approached and conducted.
Principle 6	The Board should serve as the focal point and custodian of corporate governance in the Company.	Partly Applied	The Board has adopted a Charter which defines its functions, roles and responsibilities and separates it from the role of management.
Principle 7	The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Partly Applied	The BPC Board has nine members and is specifically constituted in terms of expertise and collective skills required for steering the Corporation to achieve its mandate.  The majority of the Board members, including the Chairman, are independent directors.
			The Board Chairman and Members are appointed by the Minister of Minerals and Energy who has the ultimate discretion for a succession plan.



King IV Reference	King IV Principle	Applied	Commentary
Principle 8	The Board should ensure that its arrangements for delegation within its structures promote independent judgement and assist with the balance of power and the effective discharge of its duties.	Partly Applied	The Board has a committee structure with clear and specific terms of reference for each committee. The committee structure and the relevant terms of reference are reviewed every three years. The Board believes this structure ensures effective decision-making, discharge of duties, and independent judgement, and takes into consideration BPC's complex and evolving operating environment.
			The current Board committees are:  • Board Audit and Risk Committee (BARC)  • Board Technical Committee (BTC)  • Board Finance and Investment Committee (BFIC)  • Board Human Resources Committee (BHRC)  The Board will review the committees' terms of
			reference during 2023/24 to align the review period to the yearly interval recommended by King IV.
Principle 9	The Board should ensure that the evaluation of its performance and that of its committees, its chairman and its members, support continued improvement in its performance and effectiveness.	Partly Applied	The current Board was appointed on 01 April 2021 and completed its first year on 31 March 2022. A formal Board assessment will be performed by a competent external service provider.
Principle 10	The Board should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.	Applied	The Board has delegated authority to the CEO to run the day-to-day affairs of the Corporation in line with the Delegation of Authority framework, which sets out authority thresholds and governs sub-delegation. However, the Board retains overall accountability for the Corporation's matters.

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



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

# Application of the King IV Code Principles 2022 [continued] —

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



# REPORT CORRUPTION ANONYMOUSLY

BPC has an Independent line that allows YOU to Anonymously Report Unethical business conduct.

Dial: 15125 or

Email: bpc@tip-offs.com





# ANNUAL FINANCIAL STATEMENTS

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# **General Information**

# MEMBERS OF THE BOARD Date of Appointment

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

## **EXECUTIVE MANAGEMENT**

D. Kgoboko
 Chief Executive Officer
 Ramasedi
 Chief Financial Officer
 Rugoyi
 General Manager Generation
 L. Bantsi
 General Manager Human Resources
 E. Bopadile
 General Manager Internal Audit

B. Gaothuse General Manager Transmission and Distribution

C. Stoop General Manager-Projects

K. Mbambo
 M. Kebitseng
 D. Seleke
 Manager-Asset Management and Care Marketing and Communication Manager

A. Moncho SHER Manager

L. Moeng Strategy and Transformation Manager

### **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, PO Box 48, Gaborone.

# **AUDITORS**

PricewaterhouseCoopers

PO Box 294 Gaborone

# **BANKERS**

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

# **ATTORNEYS**

Armstrongs Minchin and Kelly PO Box 1368 PO Box 1339 Gaborone Gaborone

Lawrence Khupe Attorneys PO Box 4888 Gaborone Moribame Matthews Attorneys PO Box 46271 Gaborone



# Statement of Responsibility and Approval of Financial Statements by the Members of the Board

# 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 (the "Corporation"), Corporation comprising the statement of financial position as at 31 March 2023, 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

infrastructure. that appropriate controls. and systems ethical behaviour are applied and managed within predetermined procedures and The Members of the Board are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

The external auditors are responsible for independently reviewing and reporting on the Corporation's financial statements and their report is presented on pages 141to 147.

# Statement of Responsibility and Approval of Financial Statements by the Members of the Board [continued]

### **Disclosure of audit information**

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

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

### **Going Concern**

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

Approval of the financial statements by Members of the Board

The financial statements set out on pages 148 to 201, which have been prepared on the going concern basis, were approved by the board on 27 September 2023 and were signed on its behalf by



**Professor Oboetswe Motsamai** (Chairperson of the Board)

Marie

Mr. Mothusi Obateng (Member of the Board)





# Independent auditor's report

To the Minister of Minerals and Energy

### **Our opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Power Corporation (the "Corporation") as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### What we have audited

Botswana Power Corporation 's financial statements set out on pages 148 to 201 comprise:

- the statement of financial position as at 31 March 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

## **Basis for opinion**

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

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

### Independence

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

## Material uncertainty relating to going concern

We draw attention to Note 43 to the financial statements, which indicates that the Corporation incurred a loss after tax of P 498,320,000 for the year ended 31 March 2023 and, as of that date, the Corporation's current liabilities exceeded its current assets by P3,816,831,000. As stated in Note 43, these conditions, along with the realisation of the additional funding to be received from the Government of the Republic of Botswana as set forth in Note 43, indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### 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.

PricewaterhouseCoopers, Plot 64289, Tlokweng Road, Gaborone, Botswana P O Box 294, Gaborone, Botswana T: (267) 370 9700, www.pwc.com/bw



**Key audit matter** 

# **Independent auditor's report** [continued]

# Impairment assessment of trade and other receivables and consumer loans

At 31 March 2023, the Corporation recognised expected credit loss ("ECL") allowances of:

- P 106,270,000 (2022: P 96,262,000) with respect to consumer loans provided under the Corporation 's hire purchase scheme (the "HPS receivables") (note 16 to the financial statements):
- P 63,348,000 (2022: P 86,160,000) with respect to consumer loans under the National Electrification Standard Cost scheme (the "NESC receivables") (note 20 to the financial statements);
- P 134,003,000 (2022: P 113,544,000) with respect to trade receivables for electricity sales (note 22 to the financial statements); and
- P 108,635,000 (2022: P 96,162,000) with respect to small work contractor receivables (the "SWC receivables") (note 22 to the financial statements).

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

### Trade and other receivables

The Corporation recognises lifetime ECLs for trade receivables and SWC receivables. These have been assessed using a provision matrix, which groups customers with shared credit risk characteristics and days past due and applying expected loss rates to the groupings.

The Corporation exercises judgement in assessing ECL, specifically in relation to determining the expected loss rates used in the provision matrix and the segmentation of customers by risk profile. Expected loss rates are determined based on historical losses adjusted to reflect current and forward looking macroeconomic factors , where relevant, affecting the customers' ability to settle the outstanding amount.

# 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 requirements of IFRS 9.

### Trade and other receivables

We assessed the Corporation's ECL provision matrix against the requirements of IFRS 9 and found the model to be consistent with these requirements.

We tested the historical data used in the ECL provision matrix as at 31 March 2023 by agreeing this to supporting documents, calculations and other audited information. We 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 based on our understanding of the business and counterparties.

We compared the actual value of accounts going into default from 31 March 2023 to 30 June 2023 to the value forecasted by the Corporation's ECL provision matrix and found no material differences.

We formed and independent assessment of the expected loss rates and ECL allowance, including consideration of current and forward looking macroeconomic factors, and compared our outcome against those of the Corporation. We did not find material differences between our estimates and those of the Corporation.





# **Key audit matter**

# How our audit addressed the key audit matter

### **Consumer loans**

The Corporation applies the general approach to impairment of consumer loans (which includes NESC receivables and HPS receivables), with lifetime ECLs only recognised when there is a significant increase in credit risk. This has been assessed using an impairment model taking into account Probabilities of Defaults ("PDs"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

PDs are determined based on historical default rates adjusted for forward looking macroeconomic factors, where relevant, and LGD is determined based on historical post default recoveries (which were considered to be insignificant).

The ECL impairment assessment of trade receivables and consumer loans was considered to be a matter of significance to the current year audit due to the judgement applied by the Corporation.

Disclosures with respect to the application of IFRS 9 in determining the allowance for ECLs are contained in:

- Summary of significant accounting policies Financial Instruments: IFRS 9- Impairment of financial assets;
- Summary of significant accounting policies: Key sources of estimation uncertainty - Impairment of consumer loans and trade receivables; and
- Note 16 Consumer loans Hire scheme, Note 20 Consumer Loans - NESC, Note 22 - Trade and other receivables.

#### **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 2023 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 relevant information and knowledge of the operations as gained through our audit in determining PD, LGD, EAD and application of forward looking macroeconomic factors and found these to be reasonable.



# **Independent auditor's report** [continued]

# **Key audit matter**

# How our audit addressed the key audit matter

# Impairment assessment of assets

The Corporation carries a significant asset base in its statement of financial position. International Accounting Standards 36 - Impairment of assets ("IAS 36") requires the Corporation to perform an impairment assessment on the assets should any indicators of impairment exist.

The continued operating losses incurred by the Corporation as well as construction and the equipment defects in the Morupule B plant for which remedial work is currently underway and the plant not being operated at its optimal capacity indicated a possible impairment of the Corporation's asset base.

Accordingly, the Corporation performed an impairment assessment on a value-in-use basis using a discounted cashflow estimation model. The model outcome is most sensitive to the following key estimates and judgements:

- Average utilisation of the power plants as a percentage of the (installed) capacity;
- Expected growth in effective tariffs;
- · Increase in domestic costs;
- Expected cost reflective tariff Subsidies; and
- Discount rate.

The Corporation measures the allowance for impairment of trade receivables and consumer loans in accordance with thewhere relevant, affecting the customers' ability to settle the outstanding amount.

Based on the Corporations' estimate, the value-in use exceed the carrying amount of the Generation, Transmission and Distribution assets and - accordingly - no impairment provision was accounted for.

We assessed the appropriateness of the valuation model applied by the Corporation with reference to the requirements of IFRS. We considered the model to be appropriate.

We tested the Corporation's annual budgeting and forecasting processes, including:

- gaining an understanding of the key inputs through discussion with relevant officers responsible for the preparation of budgets and forecasts;
- testing to confirm that the annual budgets and forecasts are appropriately approved; and
- comparing actual outcomes against historical budgets to determine whether significant deviations from budget indicate deficiencies in the budgeting processes.

Our testing did not reveal any significant exceptions.

We agreed the cash flows components of the valuation model to approved budgets for periods where budgets had been approved, with no exceptions.

Using our internal valuation expertise, we developed an independent expectation of a reasonable range of weighted average cost of capital rates as proxy for an appropriate discount rate. We found that the discount rate utilised by the Corporation was higher than our independently determined range. However, this had no impact on the conclusion on impairment.

We tested the mathematical accuracy of the value-inuse calculation prepared by the Corporation and found no exceptions.





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The impairment assessment of assets was considered to be a matter of significance to our audit due to the level of judgement applied and estimates made by management in determining future cash flows and an appropriate discount rate.

Refer to the following disclosures in the financial statements for details:

Summary of significant accounting policies:
 Key sources of estimation uncertainty - Impairment of assets.

#### How our audit addressed the key audit matter

We independently adjusted the cash flow forecasts utilised in the Corporation's calculation to reflect, amongst others,

- internal usage more closely aligned to historical rates;
- growth in effective tariffs and tariff subsidy from the Government of Botswana was aligned to emergency funding request submitted by the Corporation to the Ministry of Minerals and Energy;
- domestic costs which take account of anticipated domestic cost inflation; and
- using these adjusted forecasts and the discount range we had independently determined; we performed an independent value in-use valuation to calculate a reasonable range of valuation outcomes and compared these outcomes to the carrying value of assets. These outcomes did not indicate any impairment.

#### Other information

The Members of the Board are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "Botswana Power Corporation Annual Financial Statements for the year ended 31 March 2023". The other information does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed 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.



### **Independent auditor's report** [continued]

#### Responsibilities of the Members of the Board for the financial statements

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

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





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

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

#### Report on the legal and regulatory requirements

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

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

As set out in Note 42 to the financial statements, the Corporation has not met the requirements of Section 17 of the Botswana Power Corporation Act (Cap 74:01), which requires it to conduct its affairs on commercial lines so as to produce a net operating income by which a reasonable return can be measured. The Corporation incurred an operating loss of P 57,559,000 (2022: operating loss of P 408,540,000) for the year ended 31 March 2023.

PricewaterhouseCoopers Firm of Certified Auditors

Pricewaterhouse Coopers

Practicing Member: Icho Molebatsi (CAP 00412023)

07 November 2023 Gaborone

### **Statement of Comprehensive Income**

	Notes	2023 P'000	2022 P'000
Revenue	1	4,531,368	4,336,165
Other operating income	2	172,091	71,825
Consumer tariff subsidy	7	600,000	500,000
TOTAL OPERATING INCOME		5,303,459	4,907,990
Generation, transmission and distribution expenses	3	(4,555,668)	(4,648,686)
Administration and other expenses	4	(805,350)	(667,844)
TOTAL OPERATING EXPENSES		(5,361,018)	(5,316,530)
ODEDATING LOSS	-	(57.550)	(400 540)
OPERATING LOSS	5	(57,559)	(408,540)
Interest income	8	25,560	14,344
Finance costs	9.1	(281,908)	(129,278)
Net foreign exchange losses	9.2	(710,817)	(138,600)
Fair value gain on cross currency and interest rate swap	10	660,161	169,299
LOSS BEFORE TAX	4.4	(364,563)	(492,775)
Income tax charge	11	(133,757)	(157,605)
LOSS FOR THE YEAR		(498,320)	(650,380)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss;			
Gains on revaluation of land and buildings and generation, transmission	12	872,173	3,585,450
and distribution assets			
Deferred tax effect	27	(132,068)	(528,450)
TOTAL OTHER COMPREHENSIVE INCOME		740,105	3,057,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		241,785	2,406,620



### **Statement of financial position**

as at 31 March 2023

	Notes	2023 P'000	2022 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	26,632,225	26,147,648
Intangible Assets	12.2	12,067	
Right-of-use Assets	13	3,666	6,033
Investments at amortised cost	14	21,474	21,770
Other financial assets at fair value	34	1,141,591	637,929
		27,811,023	26,813,380
Current assets			
Standard cost recovery - NESC	19	52,358	158,202
Investments at amortised cost	14	471,128	392,284
Consumer loans - hire purchase scheme	16	11,393	9,958
Consumer loans - NESC	20	3,273	3,708
Inventories	21	463,882	513,824
Trade and other receivables	22	377,641	316,357
Bank balances and cash	15	132,227	68,963
		1,511,901	1,463,296
TOTAL ASSETS		29,322,924	28,276,676
Capital and reserves Irredeemable capital Revaluation reserve Other reserves Accumulated loss	23 24 25	10,717,293 9,757,148 1,803,087 (6,780,246) <b>15,497,282</b>	10,573,103 9,017,043 1,803,087 (6,281,926) <b>15,111,307</b>
Non-current liabilities		13,437,202	13,111,307
Deferred income - consumer financed projects	26	2,656,370	2,630,610
Borrowings	28	3,551,305	3,614,985
Consumer deposits	29	84,126	80,016
Lease liability	33	2,359	4,183
Deferred tax liability	27	2,202,750	1,936,925
		8,496,910	8,266,719
Current liabilities			
Bank overdraft	15	159,345	156,803
Consumer loans - rural collective scheme	17	106,521	105,353
Standard cost recovery	18	84,128	84,224
Borrowings	28	596,279	519,690
Consumer deposits refunds	29	726	467
Lease liability	33	3,591	3,962
Trade and other payables	30	3,111,796	2,810,191
Advances - consumer financed projects	31	1,153,620	1,145,289
Provisions	32	112,726	72,671
		5,328,732	4,898,650
TOTAL EQUITY AND LIABILITIES		29,322,924	28,276,676

### **Statement of changes in equity**

		Irredee-			Accum-	
			Revaluation reserve	Other reserves	ulated Losses	Total
	Note	•	P'000	P'000	P'000	P'000
Opening balance 1 April 2021		10,127,053	5,960,043	1,803,087	(5,631,546)	12,258,637
Loss for the year		-	-	-	(650 ,380)	(650,380)
Other comprehensive income (net of tax)		-	3,057,000	-	-	3,057,000
Total comprehensive income for the year		-	3,057,000	-	(6 50,380)	2,406,620
Transactions with owners in their capacity	,					
Irredeemable capital transfer	23	446,050	_	_	_	446,050
Balance at 31 March 2022		10,573,103	9,017,043	1,803,087	(6,281,926)	15,111,307
Opening balance 1 April 2022		10,573,103	9,017,043	1,803,087	(6,281,926)	15,111,307
Loss for the year		-	-	-	(498 ,320)	(498,320)
Other comprehensive income (net of tax)		_	740,105	-	_	740,105
Total comprehensive income for the year		-	740,105	-	(498,320)	241,785
Transactions with owners in their capacity	,					
as owners						
Irredeemable capital transfer	23	144,190	-	-	-	144,190
Balance at 31 March 2023		10,717,293	9,757,148	1,803,087	(6,780,246)	15,497,282



### **Statement of cash flows**

as at 31 March 2023

	Notes	2023 P'000	2022 P'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations	36	1,388,195	1,073,122
Net cash flow from operating activities		1,388,195	1,073,122
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Interest received		25,560	14,344
Purchase of property, plant and equipment	12	(484,416)	(661,347)
Proceeds from disposal of property, plant and equipment		340	74
Movement in investments in money market funds		(34,266)	-
Payment for investments in money market funds		(67,900)	
Proceeds from withdrawals from money market funds		33,634	-
,		,	
Net cash used in investing activities		(492,782)	(646,929)
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Repayment of borrowings	28	(602,092)	(518,022)
Interest paid	20	(281,337)	(128,521)
Repayment of lease	33	(4,700)	(4,806)
Net settlement on cross currency and interest rate swap	10	156,499	(29,791)
Received from the counterparty	10	788,854	596,365
Payment to the counterparty		(632,355)	(626,156)
rayment to the counterparty		(032,333)	(020,130)
Net cashflow used in financing activities		(731,630)	(681,140)
Not in groups ( (do groups) in each and each against a		163,783	(254.047)
Net increase/ (decrease) in cash and cash equivalents Cash and cash equivalents at the beginning of the year		304,444	(254,947)
			567,452
Effect of foreign exchange rate changes  Cash and cash equivalents at the end of the year		(58,483) <b>409,744</b>	(8,061) <b>304,444</b>
cash and cash equivalents at the end of the year		403,744	304,444
Cash and cash equivalents comprise:			
Short term investments at amortised cost	14	471,128	392,284
Less: Investments do not qualify for cash and cash equivalent*		(34,266)	-
		436,862	392,284
Bank balances and cash	15	132,227	68,963
Bank overdraft	15	(159,345)	(156,803)
		409,744	304,444

<sup>\*</sup>This includes investments in money market funds which do not fall into definition of cash and cash equivalents for the purpose of cashflows.

### **Summary of significant accounting policies**

#### STATEMENT OF COMPLIANCE

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

### BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

## ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

### Standards and interpretations effective in the current year

In the current year, the Corporation has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Interpretations Committee (IFRIC) of the IASB that

are relevant to its operations and effective for annual periods beginning on or after 1 April 2022.

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

1) Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use. The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

### 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 2023. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these standards or amendments to standards early. These will be adopted in the period that they become mandatory. The following new or amended standard which is not expected to have a significant impact on the Corporation financial statements:

 Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current amendment to IAS 1-effective for annual periods beginning on or after 1 January 2023.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction amendments to IAS 12, Income Taxes-effective for annual periods beginning on or after 1 January 2023.
- 3) Narrow scope amendments to IAS 1 'Presentation of Financial Statements ', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'-effective for annual periods beginning on or after 1 January 2023.

#### 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 depreciation accumulated subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. Work in progress is measured initially and subsequently at its cost.

Any revaluation increase arising on the revaluation of such items of property, plant and equipment is credited in equity to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged.



A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and generation, transmission and distribution assets is charged to profit or loss. On the subsequent sale or retirement of a revalued item. the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised. Freehold land is not depreciated. Others (Equipment and motor vehicles, Furniture and office equipment and Data processing equipment and software) are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives. residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The following are the rates assessed by management at year end as being reflective for the useful lives of the items of property, plant and equipment. Capital work in progress is not depreciated until brought into use.

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

### Summary of significant accounting policies [continued]

#### **IMPAIRMENT OF TANGIBLE ASSETS**

[continued]

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 cashgenerating 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.

#### **INTANGIBLE ASSET**S

Intangible assets are recognised where the Corporation has acquired or developed identifiable, non-monetary assets that are expected to generate future economic benefits for the entity and where the cost can be reliably measured. These assets

are initially recognised at cost and subsequently carried at cost less accumulated impairment losses and where the assets have a finite useful life any accumulated amortisation. The following are the rates assessed by management at year end as being reflective for the useful lives of the intangible assests.

Computer Softwares and others

3 - 7 Years

#### **INVENTORIES**

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

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

#### **RETIREMENT BENEFITS**

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

#### **SHORT TERM EMPLOYEE BENEFITS**

Short-term employee benefits are benefits (other emplovee that termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Employees' entitlements to short term benefits are recognised when they accrue to employees and a provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.



#### **TAXATION**

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

#### **Current tax**

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

#### **Deferred tax**

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by 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.

#### **LEASE ACCOUNTING**

The Corporation is a party to lease contracts for, among others:

- a) Buildings including office space(commercial) and residential space
- b) Plant equipment
- c) Motor vehicles.
- d) IT Equipment

Leases are recognized, measured and presented in line with IFRS 16 'Leases'. IFRS 16 establishes principles for the recognition, measuremen,t presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transaction.s

#### **AS A LESSEE**

Upon lease commencement a the Corporation recognises a right-of-use asset and a lease liability.

### RIGHT-OF-USE ASSETS AND LEASE LIABILITY

#### Initial measurement

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

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

#### Subsequent measurement

After lease commencemen,t the rightof-use asset is measured using a cost model, amortised over the lease term on a straight-line basis.

### **Summary of significant accounting policies** [continued]

### RIGHT-OF-USE ASSETS AND LEASE LIABILITY [continued]

Lease liability is subsequently remeasured to reflect changes in:

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

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

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

### Lessee 's incremental borrowing rate

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

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income.

#### **AS A LESSOR**

In case of lease contracts based on which the Corporation is acting as a lessor each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Most of the Corporation's leases are operating lease mostly being residential buildings leased out to staff members. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Examples of situations where the risks and rewards of ownership are considered as having been transferred to the lessee are as follows:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised:
- the lease term is for at least 3/4 of the economic life of the asset even if title is not transferred,
- at the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset; or

 the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

#### **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 currencies other than 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.

#### **IRREDEEMABLE CAPITAL**

Irredeemable Capital comprise funds advanced by the Government for its equity contribution into the business. These funds are initially recognised as a liability on the statement of financial position. When the expenditure associated with these advances has been incurred, a transfer of the same amount is made to irredeemable capital as additional contribution by the Government.

#### TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for sale of electricity in the ordinary course of business. They are generally due for settlement within one year and are therefore classified as current assets. Trade and other receivables are recognised initially at fair value and subsequently measured

at amortised cost using the effective interest method, less impairment provision. The Corporation holds the trade receivables with the objective to collect the contractual cash flows.

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value and bank overdrafts. Accordingly Corporation has excluded deposits in the money markets from the cash and cash equivalents.

The restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash for the purpose of the presentation in the statement of cash flows, as long as the entity can still access those amounts on demand. That is, unless the restrictions change the deposit's nature in a way that it would no longer meet the definition of cash in IAS 7. Accordingly the Corporation has Debt Service reserve account which is maintained as a ssecurity for the payments for ICBC loan installment and accessible on demand by the corporation and is therefore included in cash and cash equivalents.

#### 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]

#### **RELATED PARTY TRANSACTIONS**

Related parties are defined as those parties:

- (a) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the entity; and
  - has an interest in the entity that gives it significant influence over the entity; or
- (b) that are members of the key management personnel of the entity or its parent including close members of the family.

#### **FINANCIAL INSTRUMENTS**

Financial instruments held by the Corporation are classified in accordance with provisions of IFRS 9 Financial Instruments. Financial instruments are recognised initially when the Corporation becomes a party to the contractual provisions of the instruments. The Corporation classifies financial instruments or their component parts on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement.

#### **Financial assets**

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

#### **Specifically:**

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

#### **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.

#### Financial assets at amortised cost

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



#### Impairment of financial assets

The Corporation adopted IFRS 9 -Financial Instruments ("IFRS 9") to measure the allowance for impairment of trade receivables and consumer loans. IFRS 9 requires impairment allowances to be considered on an expected credit loss and requires the Corporation to develop an impairment model to calculate Expected Credit Losses ("ECLs") and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the trade receivable and consumer loans. Specifically, the Corporation recognises a loss allowance for expected credit losses 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 works contractor receivable) and general approach for Consumer loans [Consumer loans - hire purchase scheme, Consumer loans - NESC ("National Electrification Standard Cost schemes")].

Expected Credit Loss ("EGL") on Trade receivables has been assessed using prov1s1on matrix by grouping customers with shared credit risk characteristics and days past due. The matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both current and forecast direction of conditions at the reporting date. Expected loss rates are determined based on historical losses adjusted to reflect current and forward looking macroeconomic factors, where relevant, affecting the customer's ability to settle the outstanding amount. Refer note 22 for details.

Corporation's Consumer loans are given for a period more than one year. However, majority of the balances are in default bucket (90+ days). Interest earned on Consumer loans is immaterial. Expected Credit Loss ("EGL") on consumer loans has been assessed using an impairment model having taken into account Probabilities of Defaults (PDs), Exposure at Default (EAD) and Loss Given Defaults ("LGD"). PDs have been calculated based on historical default rates adjusted for forward looking macroeconomic

factors, where relevant. Refer note 22 for details. LGD is considered to be 100% as post default recoveries are insignificant. EAD is considered to the current outstanding balance as balances in the non-default category is not material and no significant financing element.

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

#### Significant increase in credit risk

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

### **Summary of significant accounting policies** [continued]

#### **FINANCIAL INSTRUMENTS**

[continued]

#### **Derecognition of financial assets**

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

# Financial liabilities and equity instruments issued by the Corporation Classification as debt or equity

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

#### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs. In the Corporation's case, there is no equity issued, however the Government of

Botswana, which is the owner through the Botswana Power Corporation Act (74:01) has a residual interest in the assets of the entity after deducting all of its liabilities.

#### **Financial Liabilities at FVTPL**

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part
   of a group of financial assets or
   financial liabilities or both, which
   is managed and its performance is
   evaluated on a fair value basis, in
   accordance with the Corporation's
   documented risk management
   or investment strategy, and
   information about the grouping is
   provided internally on that basis;
   or

it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

### Financial liabilities at amortised cost

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



#### **Derecognition of financial liabilities**

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

### DERIVATIVE FINANCIAL INSTRUMENTS

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

The cashflows arising from derivative financial instruments is classified in the most appropriate manner for the business. The underline transaction is the cross currency swap arrangement for the variable rate borrowings and the related interest cost is classified under financing activities. Therefore the receipts and settlements arising from the swap agreement are also classified as financing activities.

#### **CONSUMER DEPOSITS**

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

### DEFERRED INCOME CONSUMER FINANCED PROJECTS

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

### ADVANCES ON CONSUMER FINANCED PROJECTS

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

#### NATIONAL ELECTRIFICATION STANDARD CONNECTION COST (NESC) RECOVERY

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

#### STANDARD COST RECOVERY/NESC

Standard cost recovery comprises the excess of the amount levied to customers for new electricity connections and the actual expenditure incurred by the Corporation to effect these connections. This amount recoverable through further around the connections 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.

### **Summary of significant accounting policies** [continued]

### CONSUMER LOANS-RURAL COLLECTIVE SCHEME

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

#### **REVENUE**

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

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

#### **Sale of Electricity**

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

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

#### **Consumer Finance Recoveries**

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

#### Interest received

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

#### Other income

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

### CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

#### **Revenue recognition**

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 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 is P21,474,000 (2022: P21,770,000). Details of these assets are set out in note 14.



### KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### Useful lives of property, plant and equipment

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

### Revaluation of property, plant and equipment

The Corporation periodically commissions external experts to value property, plant and equipment (Land and Building and Generation, Transmission and Distribution assets). The latest revaluation was carried out at 31 March 2023.

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

#### **Solar Station Grant**

In 2012, Corporation received a grant of 1 MW Solar Power Station (Phakalane, Gaborone) from Government of Japan for a project of introduction of clean energy by solar electricity generation system. There are no specific conditions attached to the grant. As of 31 March 2023, the Corporation estimated the fair value of the Power Station and underlying property and its improvements using replacement cost to be P12.7 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.

### **Summary of significant accounting policies** [continued]

### KEY SOURCES OF ESTIMATION UNCERTAINTY [continued]

Where level 1 inputs are not available, the Corporation engages third party qualified valuers, to determine the valuation techniques and inputs for the fair value measurements. Management of the Corporation work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of the assets and liabilities are disclosed in notes 10 and 38.9.

### Impairment of consumer loans and trade receivables

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

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

Expected Credit Loss ("ECL") on consumer loans has been assessed using an impairment model having taken into account Probabilities of Defaults (PDs), Exposure at Default (EAD) and Loss Given Defaults ("LGD"). PDs have been calculated based on

historical default rates adjusted for forward looking macroeconomic factors, where relevant. LGD is considered to be 100% as post default recoveries are insignificant. EAD is considered to the current outstanding balance as balances in the non-default category is not material and no significant financing element.

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

#### **Current tax**

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

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

(Bodies Corporate Exempt From Tax) Regulation, 2016 of 1 July 2016. The Corporation was not identified as an exempt entity in this regulation and is thus subject to income tax for the first time in 2017 finacial year.

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

#### **Deferred tax**

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised. Corporation has not recognised deferred tax asset on tax losses and the interest claimable as the management forecast of taxable income for next five years indicate that the Corporation will not be able to generate adequate taxable income to utilise these before they fall away. Please refer to Note 11 and 27 for further details.

#### Impairment of assets

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

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

Accordingly, an impairment assessment was performed as follows:

For the purposes of assessing impairment, Generation, Transmission and Distribution assets group (GTD assets) 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 CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by members of the board. These budgets are prepared annually and assumes a reasonable growth rate for future cash flows. Summary of key assumptions used in value in use calculation is given below:

Average utilisation of the generation plant (as % of the capacity) - FY 2027/28 Onwards	84%
Internal usage (as a% of units generated)	13%
System losses - Transmission and distribution losses (as a% of units sent out & purchased)	15%
Expected annual increase in domestic cost	4.50%
BWP Discount Rate	9.40%

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

Average utilisation of the generation plant (as % of the capacity) - FY 2027/28 Onwards	71.21%
Expected annual increase in domestic cost	9.86%
Discount Rate	11.22%

### **Notes to the financial statements**

		2023 P'000	2022 P'000
1	REVENUE		
	Sale of electricity:		
	Mining	864,646	798,816
	Commercial	1,725,116	1,589,504
	Domestic	1,292,829	1,301,560
	Government	648,777	646,285
		4,531,368	4,336,165
	Revenue recognised over time	4,531,368	4,336,165
2	OTHER OPERATING INCOME		
	(Loss) / profit on sale of materials	(22,825)	4,393
	Penalties and late payment fees	6,802	3,076
	Rental income	3,963	5,325
	Wheeling revenue	11,953	7,491
	Consumer finance projects recoveries	41,427	26,516
	Sales to Southern African Power Pool (SAPP)	122,068	10,680
	Other sundry income	6,907	12,246
	Profit on disposal of property, plant and equipment	271	19
	Interest earned on consumer loans	1,184	1,651
	Reconnection charges	341	428
		172,091	71,825
	2.1 Rental Income: Arises out operating lease (income) being residential buildings leased out to staff members		
	Minimum payments due		
	First year	4,359	5,858
	Second year	4,795	6,443
	Third year	5,275	7,088
	Fourth year	5,802	7,796
	Fifth year	6,382	8,576
	Beyond	7,021	9,434



		2023 P'000	2022 P'000
3	GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES		
	Fuel, water and chemicals	1,039,119	924,720
	Power purchases	1,641,005	1,987,345
	Maintenance - Generation	116,985	166,976
	- Transmission, Distribution	368,576	348,820
	Amortisation of deferred income - Consumer financed projects	(117,884)	(119,547)
	Staff costs - Generation	278,292	251,647
	- Transmission, Distribution	366,502	311,923
	Depreciation - Generation	334,322	336,475
	- Transmission, Distribution	527,189	378,379
	Other expenses - Transmission, Distribution	28,633	23,485
	(Upward)/downward revaluation adjustment on substation building assets (Note 12)	(27,071)	38,463
		4,555,668	4,648,686
4	ADMINISTRATION AND OTHER EXPENSES		
	Advertising	3,416	2,068
	Auditor's remuneration	1,500	1,689
	Bank charges	5,920	6,059
	Board members fees	1,099	1,025
	Commission costs	86,221	101,476
	Consultancy fees	29,860	14,557
	Customs duty, freight charges and price variance	1,293	1,178
	Depreciation of items of property, plant and equipment and right-of-use assets	29,736	44,326
	Fuels and lubricants	30,495	14,438
	Insurance expenses	54,777	49,619
	Provision for litigation claims	58,658	9,069
	Office cleaning costs	46,348	36,144
	Other sundry expenses	66,275	55,300
	Postage and telecommunications costs	18,093	13,597
	Printing and stationery	1,497	1,822
	Provision for impairment of receivable		11,265
	Rental expense	4,228	851
	Security costs	32,139	26,940
	Staff costs	206,767	179,739
	Travel and accommodation costs	33,383	17,304
		805,350	667,844

		2023 P'000	2022 P'000
5	OPERATING LOSS		
	Operating loss is arrived at after charging / (crediting) the following items:		
	Depreciation of items of property, plant and equipment	886,947	754,587
	Profit on disposal of property, plant and equipment	(271)	(19)
	Repairs and maintenance of property, plant and equipment	71,151	79,378
	Sale of materials	(198,117)	(231,119)
	Cost of materials sold	220,942	226,726
	Property rentals	4,228	851
6	STAFF COSTS		
		774,317	674,011
	Salaries and wages Gratuities	14,723	10,836
	Pension contributions	62,521	58,462
	Medical retirement packages	02,321	30,402
	Medical Felli efficilit puckages	851 ,561	743 ,309
	Average number of employees during the year	2,083	2,053
	Staff costs are included in generation, transmission and distribution and		
	administration exoenses are reconciled below:		
	Staff costs - Generation	278,292	251,647
	Staff costs - Transmission, Distribution	366,502	311,923
	Staff costs - Administration	206,767	79,739
		851,561	743,309
7	CONSUMER TARIFF SUBSIDY	600,000	500,000
	The Corporation's end user tariffs are lower than the generation cost per unit. Based on the Corporation's long term financial strategy that informs both the required tariff levels and operational subsidy in the medium to long term the Government of the Republic of Botswana paid a grant of P 600,000,000 (2022: P 500,000,000) to partially offset the operating losses.		
8	INTEREST INCOME		
	Call Accounts	1,594	1,385
	Investments	23,966	12,959
		25,560	14,344



	2023 P'000	2022 P'000
9.1 FINANCE COSTS		
Interest on borrowings	281,337	128,521
Interest on lease liability - IFRS 16	571	757
	281,908	129,278
The interest costs incurred on the Industrial and Commercial Bank of China (ICBC) loan disclosed per Note 28.		
9.2 NET EXCHANGE LOSSES		
Net foreign exchange losses	(709,999)	(137,704)
Net foreign exchnage loss on interest rate swap	(818)	(896)
	(710,817)	(138,600)
10 FAIR VALUE GAIN ON CROSS CURRENCY AND INTEREST RATE SWAP		
Realised fair value gain/ (loss) on cross currency and interest rate swap	156,499	(29,791)
Received from Standard Bank Pie	788,854	596,365
Payments to Standard Bank Pie	(632,355)	(626,156)
Unrealised fair value gain on the cross currency and interest rate	503,662	199,090
	660,161	169,299

As detailed in Note 35, to reduce the risk of changing interest rates and foreign currency exchange rates on the loan from Industrial and Commercial Bank of China (ICBC), the Corporation entered into a pay fixed interest rate and receive floating interest rate hedging arrangement with Standard Bank Pie. 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% (2022: 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 P 1,141,591,000 (2022: P 637,929,000). See note 34.

	2023	2022
	P'000	P'000
1 INCOME TAX EXPENSE		
Deferred tax	133,757	157,605
	133,757	157,605
Income tax reconciliation:		
Loss before taxation	(364,563)	(492,775)
Taxation at 15% (2022: 15%)	(54,685)	(73,916)
Deferred tax asset not recognised on current year tax loss*	190,074	288,444
Under provision in respect of previous year	(1,632)	(56,923)
	133,757	157,605

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

\*No provision was made for normal taxation since the Corporation has an accumulated tax loss of P 6,015,303 000. The losses arising from Corporation's operations can be carried forward for five years from initial period of recognition. The accumulated unexpired tax losses are given below;

Tax year	Profit/(Loss)	Assessable loss C/F	Loss expire
	P'000	P'000	in tax year
2019	(525,562)	(525,562)	2024
2020	(2,116,845)	(2,642,407)	2025
2021	(1,659,510)	(4,301,916)	2026
2022	(1,389,441)	(5,691,357)	2027
2023	(1,014,435)	(6,705,792)	2028

Assessed/assessable tax losses as at 31 March 2023 is P 6.7 billion (2022: P 6.4 billion) and tax losses in Botswana have to be utilised within five years from the year of origination. As of 31 March 2023, the Corporation has carried forward interest claimable of P 486 million (2022: P 406m) (due to Section 41A limitation), which could be claimable within three years .

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

Accordingly, deferred tax asset of P 1078 million (2022: P 962 million) has not been recognised.

Tax loss and unclaimed interest expired during the year is amounting to P 54 Million (2022: P 604 Million)



#### 12. PROPERTY, PLANT AND EQUIPMENT

2023 Carrying Amount	Land & Buildings P'000	Generation, Transmission & Distribution P'000	Other (Motor Vehicle, Furniture & Equipment) P'000	Capital Work in Progress P'000	Total P'000
Balance at the beginning of the year	971,987	23,453,551	112,765	1,609,345	26,147,648
Additions		149,704	28,411	306,301	484,416
Disposals cost		(135,436)	(62,000)		(197,436)
Accumulated depreciation eliminated on disposals		135,436	61,931		197,367
Reclassification to Intangible Assets (Cost)			(89,838)		(89,838)
Reclassification to Intangible Assets (Acc. Depreciation)			76,382		76,382
Reclassification to Intangible Assets (Depreciation)	40.570	(40.570)	1,389		1,389
Reclassification of Generation buildings (CosValuation)	48,578	(48,578)			
Reclassification of Generation buildings (Acc. depreciation		6,901			
Reclassification of Generation buildings (Depreciation)	(813)	813	(6.072)		(006.047)
Depreciation	(21,182)	(859,693)	(6,072)	(0.6.4.070)	(886,947)
Transfers	19,412	923,334	22,124	(964,870)	000 244
Revaluation adjustment (note 12.1)	124,247	774,997	445.002	050 776	899,244
Balance at the end of the year	1,135,328	24,401,029	145,092	950,776	26,632,225
At 31 March 2023					
Cost/valuation	1,135,328	24,401,029	145,092	950,776	26,632,225
Accumulated depreciation and impairment	1,133,320	24,401,023	143,032	330,770	20,032,223
Carrying amount	1,135,328	24,401,029	145,092	950,776	26,632,225
	1,100,000	_ 1, 10 1,0 = 0	1 10/00=	2007:10	
2022 Carrying Amount					
Balance at the beginning of the year	936,370	19,465,499	108,987	2,183,143	22,693,999
Additions	74	131,500	24,983	504,790	661,347
Disposals cost		(533,656)	(118,194)		(651,850)
Accumulated depreciation eliminated on disposals		533,656	118,139		651,795
Reclassification of maintenance expenses					
from opening balance				(43)	(43)
Reclassification of transmission and distribution					
buildings (CostNaluation)	(2,115)	2,115			
Reclassification of transmission and distribution					
buildings (Acc. depreciation)	18	(18)			
Depreciation	(18,583)	(714,854)	(21,150)		(754,587)
Transfers	25,839	1,052,706		(1,078,545)	
Revaluation adjustment (note 12.1)	30,384	3,516,603			3,546,987
Balance at the end of the year	971,987	23,453,551	112,765	1,609,345	26,147,648
A+ 21 March 2022					
At 31 March 2022 Cost/valuation	071 007	22 /52 554	1E 776	1 600 245	26.050.650
Accumulated depreciation and impairment	971,987	23,453,551	15,776 96,989	1,609,345	26,050,659
	071 007	22 /52 554		1 600 245	96,989
Carrying amount	971,987	23,453,551	112,765	1,609,345	26,147,648

#### 12 PROPERTY, PLANT AND EQUIPMENT [continued]

	2023 P'000	2022 P'000
<b>12.1 Revaluation adjustment credited to revaluation reserve</b> (Upward)/ Downward revaluation adjustment Credited/ (debited) to income	872,173	3,585,450
statement (note 3)	27,071	(38,463)
Net increase in property plant and equipment as a result of revaluation	899,244	3,546,987

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

As at 31 March 2023, the fair value assessment of the Corporation's land and buildings was performed by Willy Kathurima & Associates and Apex Properties, independent professional valuers and the fair value assessment of the generation, transmission and distribution assets was performed by Minet Risk Management, independent professional valuer.

Market values for land and buildings were determined based on the market comparable approach which reflects recent transaction prices for similar properties and considerations were made with reference to location, accessibility, demand/supply of such properties, quality and standard of the structures, age, condition etc and the prevailing economic and property market trends. These were then compared with the subject property on the same basis to arrive at an adjusted unit value and applied same to the subject property whilst allowing for similarities and dissimilarities accordingly. In cases where comparable market evidence is not available, especially tribal areas, the replacement cost approach has been adopted. The fair values of generation transmission and distribution assets was determined using the replacement cost approach which reflects the cost to the market participant to construct assets of a comparable utility and age, adjusted for obsolescence. The estimated construction cost at 31 March 2023 were determined by appropriate inflation and other adjustments to the base cost of individual assets. The significant inputs include estimated construction costs and other ancillary expenditure and a depreciation factor applied to the estimated construction cost. A slight increase in the depreciation factor would result in a significant decrease in the fair value of the generation, transmission and distribution assets, and a slight increase in the estimated construction costs would result in a significant increase in the fair value of the generation, transmission and distribution assets, and vice versa.

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

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



	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total fair value P'000
Fair value measurement at 31 March 2023 Land and Buildings Generation transmission and distribution assets			1,135,328 24,401,029	1,135,328 24,401,029
Fair value measurement at 31 March 2022 Land and Buildings Generation transmission and distribution assets			971,987 23,453,551	971,987 23,453,551

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

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

Valuation technique	Valuation	Key input and sensitivity
	P'000	
<u>Land and Buildings</u>		
Sales comparison method	251,881	Determined based on the recent transaction prices for similar properties with adjustment for other factors mentioned above. Increase in market prices will improve the value of the properties and vice versa.
Income capitalisation	777,448	These are mainly training centres, office buildings etc. valued based on net market rent capitalised basis. The increase in net market rent and the decrease in capitalisation rate will improve the property value and the opposite would reduce the value.
Depreciated replacement cost	105,999	These are main substation buildings and value based on replacement cost as no comparable market prices nor the rentals.
-	1,135,328	
<u>Transmission and distribution assets</u>		
Replacement cost method	24,401,029	Determined based on change in replacement cost of main components*. 1% increase in cost will increase the value by P 244Mn and vice versa.

<sup>\*</sup>This includes cables, overhead lines, Isolators, circuit breakers, surge arrestors and all other switchgear equipment, Transformers, reactors, voltage transformers, current transformers and all other electrical equipment assets.

#### 12 PROPERTY, PLANT AND EQUIPMENT [continued]

Carrying amounts that would have been recognised if the Property, Plant and Equipment were stated at cost.

Carrying Value 31 March 2022	Land & Buildings P'000	Generation, Transmission & Distribution P'000	Other (Motor Vehicle, Furn iture & Equipment) P'000	Capital Work in Progress P'000	Total P'000
Cost	815,916	23,800,182	407,621	1,609,345	26,633,064
Accumulated Depreciation and					
Impairment	(155,002)	(6,546,276)	(294,827)		(6,996,105)
	660,914	17,253,906	112,794	1,609,345	19,636,959
Carrying Value 31 March 2023					
Cost	876,191	24,832,583	325,870	950,776	26,985,420
Accumulated Depreciation and					
Impairment	(167,981)	(7,163,300)	(180,749)		(7,512,030
	708,210	17,669,283	145,121	950.776	19,473,390

#### **12.2 INTANGIBLE ASSETS**

	P'000	P'000
Cost		
Opening Balance		
Transfers from Property, Plant and Equipment	89,838	
Closing Balance	89,838	
Accumulated Amortisation		
Opening Balance		
Transfers from Property, Plant and Equipment	(76,382)	
Amortisation Charge	(1,389)	
Closing Balance	(77,771)	
Net book value		
Cost	89,838	
Accumulated Amortisation and Impairment	(77,771)	
	12,067	

Intangible assets mainly includes computer software and this had been disclosed under Property, Plant and Equipment in previous years as the amounts were not material. However in the current year management decided to present these separately to enhance the financial statements presentation.

No intangible assets were pledged as securities for liabilities. No intangible assets were impaired.



#### **13 RIGHT OF USE ASSETS**

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

	2023 P'000	2022 P'000
Cost		
Opening Balance	19,277	15,028
Lease termination		(5)
New leases during the year	1,934	4,254
Balance at the end of the year	21,211	19,277
Accumulated Depreciation		
Opening balance	13,244	8,651
Charge for the year	4,301	4,593
Balance at the end of the year	17,545	13,244
Net Book Value	3,666	6,033
14 INVESTMENTS AT AMORTISED COST		
Deposits with local financial institutions	471,128	392,284
Deposits with foreign financial institutions	21,474	21,770
	492,602	414,054
Current portion	(471,128)	(392,284)
Long-term portion	21,474	21,770

Investments at amortised cost are classified as non-current assets, except for maturities within 12 months of the statement of financial position date which are classified as current assets. The current portion of the investments comprises fixed deposits with local banks which earn interest at rates ranging from 3% to 9% (2022: 3 % to 6%), Certain call account balances and deposits in money market funds. These fixed deposits are invested for periods ranging from 7 to 91 days (2022: 7 to 91 days). The long term portion of the deposits with foreign banks have been placed to match the foreign currency exposure on certain of the Corporation's foreign borrowings as per Note 28.

The deposits denominated in foreign currency are as follows:		
US dollar (\$000)	456,399	316,835

	2023	2022
	P'000	P'000
5 CASH AND CASH EQUIVALENTS		
15.1 Bank balances	132,227	68,963
	132,227	68,963
15.2 Bank overdrafts	159,345	156,803
The Corporation has an overdraft facility limit of P 200 million with five commercial banks (2022: P 200 million).		
6 CONSUMER LOANS - HIRE PURCHASE SCHEME		
16.1		
Hire purchase scheme	117,663	106,22
Less: Loss allowance	(106,270)	(96,262
Total	11,393	9,958
Consumer loans represent outstanding balances under the deferred repayment scheme for the cost of capital connections payable by consumers in urban areas over periods of up to 180 months. Terms of payment are agreed with each respective customer.		
Loans which are repayable within 18 months are interest free. Loans over longer periods bear interest which is linked to the ABSA Bank of Botswana Limited prime lending rate, which at the end of the year was 6.76% (2022: 5.25%).		
16.2 Movement in the loss allowance for hire purchase scheme receivables		
Balance at the beginning of the year	96,262	101,29
Charge/ (Release) for the year	10,008	(5,03
Balance at the end of the year	106,270	96,262

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.



#### 16.3 Gross carrying values and loss allowance

	31 March 2023				31 March 2022		
	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	14,979	(3,694)	11,286	12,944	(2,762)	10,182	
Past Due 30 days	2,465	(2,465)		4,702	(4,414)		
Past Due 60 days	12,414	(12,307)	108	3,660	(3,996)	(336)	
Past Due 90 days	3,196	(3,196)		4,751	(4,927)	(176)	
Past Due > 365 Days	84,609	(84,609)		80,163	(80,163)		
Total	117,663	(106,270)	11,393	106,220	(96,262)	9,957	
					2023	2022	
					P'000	P'000	
17 CONSUMER LOANS-RURAL COLLECTIVE S	СНЕМЕ						
Opening balance				(	105,353)	(98,705)	
Collection from old rural collective scheme					(1,168)	(6,648)	
Total Government revolving fund				(	106,521)	(105,353)	

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 6.76% (2022: 5.25%).

#### **18 STANDARD COST RECOVERY**

Opening balance	(84,224)	(85,642)
Impairment charge/non recoverable	96	1,418
Total standard cost	(84,128)	(84,224)

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

	2023 P'000	2022 P'000
19 STANDARD COST RECOVERY - NESC		
Refunds due from the National Electrification Standard Connection Cost Fund	52,358	158,202
With effect from 1 October 2010, the Government introduced the National Electricity Standard Connection Cost (NESC) in selected rural and semi urban areas. Participants of this scheme pay a standard charge of P 5,000 or P 2 500 for a connection. The difference between this standard charge and the actual cost incurred by the Corporation is claimable from the National Electrification Standard Connection Cost Fund. This fund is established from P0.10 (10thebe) levied to customers for every KwH billed.		
20 CONSUMER LOANS - NESC		
Consumer loans - NESC	66,621	89,868
Less: Loss allowance	(63,348)	(86,160)
	3,273	3,708
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 P 5,000 or P 2 500. and any short fall is funded from the NESC fund. 5% of the P 5,000 is payable by the customer up front and the balance is payable over a period of up to 18 months. Balances repayable within 6 months are interest free and loans over longer periods bear interest which is linked to the ABSA Bank of Botswana Limited prime lending rate, which at the end of the year was 5.25% (2022: 5.25%). Provision has been made on all accounts that defaulted on instalments plans after year end as evidence of default.		
20.1 Movement in the loss allowance for consumer loans NESC		
Balance at the beginning of the year	86,160	90,601
Release for the year	(22,812)	(4,441)
Balance at the end of the year	63,348	86,160

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

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



#### 20.2 Gross carrying values and loss allowance

		31 March 2023			31 March 2022		
	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	3,978	(717)	3,261	4,620	(912)	3,708	
Past Due 30 days	545	(533)	12	1,384	(1,384)		
Past Due 60 days	783	(783)		1,500	(1,500)		
Past Due 90 days	732	(732)		1,744	(1,744)		
Past Due > 365 Days Total	60,583 <b>66,621</b>	(60,583) ( <b>63,348</b> )	3,273	80,620 <b>89,868</b>	(80,620) <b>(86,160)</b>	3,708	
					2022	2022	
					2023	2022	
					P'000	P'000	
21 INVENTORIES							
Coal and fuel					234,875	284,686	
Maintenance spares and materials					229,007	229,138	
Cost					304,462	277,979	
Allowance for obsolete stock					(75,455)	(48,841)	
				4	463,882	513,824	
Movement of Allowance for obsolete	stock						
Opening balance					48,841	53,396	
Release Charge for the year					26,614	(4,555)	
Closing balance					75,455	48,841	

The cost of inventories recognised as an expense during the year was P220,941,774 (2022: 226,726,336).

	2023 P'000	2022 P'000
2 TRADE AND OTHER RECEIVABLES		
Electricity sales receivables:	247,036	215,388
Mining	28,239	14,257
Commercial	246,889	209,791
Domestic	24,759	21,483
Government related entities	97,284	112,363
Unallocated receipts	(16,132)	(28,962
Less: Loss allowance on electricity sales receivables	(134,003)	(113,544
Small works contractors receivables:	61,910	25,295
Gross receivables from small works contractors	170,545	121,457
Less: Loss Allowance on Small works contractors receivables	(108,635)	(96,162
VAT receivable		27,553
Southern African Power Pool	20,525	(3,807
Other receivables	48,170	51,928
	377,641	316,357

The average credit period on sale of electricity is 36 days (2022: 35 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 P 33,477,790 (2022: P 33,477,790). In addition, where customers do not have a bank guarantee, they are required to pay a deposit equivalent to two months' worth of their estimated consumption before being connected with electricity supply. The value of the deposits held by the Corporation is disclosed per note 29.

#### 22.1 Movement in loss allowance - trade receivables

	Electricity sales receivables		Small works contractors receivables	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Balance at the beginning of the year Write offs during the year	113,544 (1,115)	165,020 (39,860)	96,162	66,470
Charge/(release) for the year	21,574	(11,616)	12,473	29,692
Balance at the end of the year	134,003	113,544	108,635	96,162



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

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

#### 22.1 Movement in loss allowance - trade receivables

31 March 2023

	Mining ( P'000	Commercial P'000	Domestic G P'000	overnment P'000	Total P'000
Balance at the beginning of the year	1,621	80,031	19,698	12,194	113,544
Write offs during the year	,	(646)	(469)	,	(1,115)
Charge/(release) for the year	361	9,243	2,758	9,212	21,574
Balance at the end of the year	1,982	88,628	21,987	21,406	134,003
			31 March 202	23	
Balance at the beginning of the year	9,787	110,175	32,931	12,127	165,020
Write offs during the year	(8,225)	(17,373)	(14,262)		(39,860)
Charge/(release) for the year	58	(12,771)	1,029	68	(11,616)
Balance at the end of the year	1,621	80,031	19,698	12,194	113,544

Balances due from government related entities are from the normal course of business. The impairment provision includes P 21.4 Mn (2022: P 12.19 Mn) in respect of government related entities and no amounts have been written off during the year.

P 1.1 Mn was written-off during the year relating consumption debtors.

### 22 TRADE AND OTHER RECEIVABLES [continued]

### 22.2 Gross carrying values and loss

#### 31 March 2023

	Mining			Commercial			
	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	14,455	(33)	14,422	113,461	(1,393)	112,068	
Past Due 30 days	7,060	(1,737)	5,323	44,928	(1,870)	43,058	
Past Due 60 days	6,512		6,512	8,244	(5,109)	3,135	
Past Due 90 days	29	(29)		6,416	(6,416)		
Past Due > 365 Days	182	(182)		73,840	(73,840)		
Totals	28,239	(1,982)	26,257	246,889	(88,628)	158,261	

### 31 March 2022

Not past due	10.320	(33)	10.287	108,360	(1,393)	106,967	
Past Due 30 days	3,900	(1,581)	2,320	24,663	(1,870)	22,793	
Past Due 60 days	30		30	12,866	(12,866)		
Past Due 90 days				5,669	(5,669)		
Past Due > 365 Days	7	(7)		58,233	(58,233)		
Totals	14,257	(1,621)	12,637	209,791	(80,031)	129,760	



	Domestic			Government			Works Contrac	tors
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
2,555	(997)	1,558	52,979	(659)	52,320	35,058	(629)	34,429
943	(80)	863	14,995	(80)	14,915	15,518	(1,037)	14,481
514	(140)		5,900	(208)	5,692	11,377	(6,861)	4,516
126	(149)		3,475	(524)	2,951	9,245	(761)	8,484
20,621	(20,621)		19,935	(19,935)		99,347	(99,347)	
24,759	(21,987)	2,421	97,284	(21,406)	75,878	170,545	(108,635)	61,910
1,663	(162)	1,501	53,543	(659)	52,884	11,213	(629)	10,584
365	(80)	285	21,224	(80)	21,144	14,508	(1,037)	13,471
140	(140)		8,588	(208)	8,380	8,099	(6,861)	1,238
149	(149)		18,949	(1,188)	17,761	12,329	(12,329)	
19,166	(19,167)		10,059	(10,059)		75,307	(75,307)	
21,483	(19,698)	1,786	112,363	(12,194)	100,169	121,457	(96,163)	25,293

#### 22 TRADE AND OTHER RECEIVABLES [continued]

#### 22.3 Key inputs and sensitivities

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

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

In relation to forward looking macroeconomic factors, consideration was made based on inflation rate by the IMF World Economic Outlook Report to increase by 6.0% in the economy as inflationary adjustment. This was applied on the all receivable except on the Government who is expected to settle all the bills.

Consumer Loans		Current Year P'000	2 Years Average P'000	3 Years Average P'000	4 Years Average P'000
Consumer Loans- Hire Purchase		106,270	97,105	97,960	96,623
Variance in loss allowance			9,166	8,310	9,647
Variance as % of loss allowance			9%	8%	10%
		P'000	P'000	P'000	P'000
Consumer Loans- NESC		63,348	62,276	68,526	68,269
Variance in loss allowance			1,072	(5,178)	(4,921)
Variance as % of loss allowance			2%	-8%	-7%
Trade Receivables	Current Year	4 Years (2019-2022) Average	3 Years (2020-2022) Average	2 Years (2021-2022) Average	1 Year (2022)
	P'000	P'000	P'000	P'000	P'000
Mining	1,982	1,560	1,558	1,558	1,558
Commercial	88,628	77,951	78,310	78,196	77,881
Government	21,987	11,131	11,386	11,194	11,194
Domestic	21,406	19,492	19,484	19,484	19,463
Small Works Contractors	108,635	92,641	93,027	93,027	93,027
Grand Total	242,638	202,775	203,765	203,459	203,123
Variance in loss allowance		39,863	38,873	39,179	39,515
Variance as % of loss allowance		19.6%	19.1%	19.2%	19.4%



	2023 P'000	2022 P'000
23 IRREDEEMABLE CAPITAL		
Balance at the beginning of the year	10,573,103	10,127,053
Transfers during the year	144,190	446,050
Balance at the end of the year	10,717,293	10,573,103
Irredeemable capital comprises contributions received from the Government of		
Republic of Botswana in respect of its obligations as the owner of the		
Corporation in terms of the Botswana Power Corporation Act (74:01).		
24 REVALUATION RESERVE		
Balance at the beginning of the year	9,017,043	5,960,043
Revaluation surplus for the year (net of taxes)	740,105	3,057,000
Balance at the end of the year	9,757,148	9,017,043
The properties revaluation reserve arises on the revaluation of land and		
buildings, generation, transmission and distribution assets.		
25 OTHER RESERVES		
Balance at the beginning and end of the year	1,803,087	1,803,087
The purpose of this reserve is to complement the funding requirements for		
capital expenditure for the Corporation's expansion program.		
26 DEFERRED INCOME - CONSUMER FINANCED PROJECTS		
Balance at the beginning of the year Additions	2,630,610	2,622,563
Amortisation	143,644	127,594
Balance at the end of the year	(117,884)	(119,547)
	2,656,370	2,630,610

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.

	2023 P'000	2022 P'000
7 DEFERRED TAX LIABILITY		
The movement on the deferred tax liability is as follows:		
Balance at the beginning of the year	(1,936,925)	(1,250,870
Charge to the income statement for the year (note 11)	(133,757)	(157,605
Current year reversal/(charge)	54,685	73,916
Deferred tax asset not recognised on interest claimable	(37,909)	(23,105
Deferred tax asset not recognised on current year tax loss	(152,165)	(265,339
Others	1,632	56,923
On gain on revaluation of land and buildings and generation, transmission		
and distribution assets	(132,068)	(528,450
Balance at the end of the year	(2,202,750)	(1,936,925
Comprising:		
Property, plant and equipment	(2,367,330)	(2,044,977
Deferred income - Consumer Financed Projects	75,073	71,209
Unrealised exchange loss/(gain)	106,500	(29,864
Unrealised fair value gain on currency and interest rate swap	(75,549)	20,656
Non allowable expenses	58,216	42,528
Others	340	3,523
	(2,202,750)	(1,936,925

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

Accordingly, deferred tax asset of P 1,078 million (2022: P 963 million) has not been recognised.



		Current	Non	Non-current	
	2023	2022	2023	2022	
	P'000	P'000	P'000	P'000	
BORROWINGS					
Borrowings at amortised cost					
Government of the Republic of Botswana					
(funded by Nordic Development Fund)	2,858	2,556	22,863	23,008	
Industrial and Commercial Bank of China	593,421	517,134	3,528,442	3,591,977	
	596,279	519,690	3,551,305	3,614,985	
Course and train of house wines					
Currency analysis of borrowings			4 1 47 504	4 1 2 4 6 7 5	
Foreign currency denominated				4,134,675	
Total borrowings			4,147,584	4,134,675	
	1	nterest			
	_	Rate per			
	_	innum			
Government of the Republic of Botswana	<u>U</u>	<u>IIIIIIIII</u>			
(funded by Nordic Development Fund)					
(landed by Northe Development Land)	(	).75%	25,721	25,564	
Industrial and Commercial Bank of China	_	.ibor+	4,121,863		
The data and commercial bank of china		60bps	1,121,003	1,105,111	
			4,147,584	4,134,675	
The borrowings are repayable as follows					
Up to 1 year			596,279	519,690	
2 - 5 years			2,385,117	2,078,760	
Later than 5 years			1,166,188	1,536,225	
Total			4,147,584	4,134,675	

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

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

Synthetic LIBOR (SOFR plus Credit Adjustment spread of 42 basis points plus margin) is to be used as the interim replacement for LIBOR until negotiations are finalised with ICBC.

	2023 P'000	2022 P'000
28 BORROWINGS [continued]		
Movement during the year is as follows:		
Balance at the beginning of the year	4,134,675	4,537,060
Repayments	(602,092)	(518,022)
Exchange loss on borrowings	615,001	115,637
Balance at the end of the year	4,147,584	4,134 ,675
29 CONSUMER DEPOSITS		
Consumer deposits-non current	84,126	80,016
Consumer deposits refunds-current	726	467
	84,852	80,483
Consumer deposits comprise amounts received from customers held as security against failure to settle accounts. These ordinarily represent two months estimated electricity consumption by customers and are refundable on closing the customer account after applying it to any amount outstanding then.		
30 TRADE AND OTHER PAYABLES		
Trade payables and accruals	1,720,523	1,620,380
National Electricity Standard Cost levy payable to Government of Botswana	176,219	153,302
Reclassification from accounts receivable to accounts payable	126,185	92,695
Contract liability	39,473	36,853
Interest on borrowings	12,246	4,981
Retentions	934,806	814,281
Payroll related accruals	102,344	87,699
	3,111,796	2,810,191

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.

30.1 Payroll Related Accruals Movement	Leave pay	Gratuity	Total
	P'000	P'000	P'000
Opening balance 1 April 2021	66,668	17,219	83,887
Charge for the year	11,035	10,836	21,871
Payments made during the year	(6,457)	(11,602)	(18,059)
Balance at 31 March 2022	71,246	16,453	87,699
Opening balance 1 April 2022	71,246	16,453	87,699
Charge for the year	20,505	14,722	35,227
Payments made during the year	(10,075)	(10,507)	(20,582)
Balance at 31 March 2023	81,676	20,668	102,344



	2023 P'000	2022 P'000
31 ADVANCES - CONSUMER FINANCED PROJECTS		
Advances received from customers	1,153,620	1,145,289

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

#### **32 PROVISIONS**

	Coal off-take penalty P'000	Litigation claims P'000	Total P'000
Opening balance 1 April 2021	248,535	17,708	266,243
Charge/(reversal) for the year	(200,507)	6,935	(193,572)
Payments made during the year	-	-	-
Balance at 31 March 2022	48,028	24,643	72,671
Opening balance 1 April 2022	48,028	24,643	72,671
Charge/(reversal) for the year	(16,330)	56,785	40,455
Payments made during the year	-	(400)	(400)
Balance at 31 March 2023	31,698	81,028	112,726

#### Coal off-take penalty

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

#### Litigation claims provision

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

	2023 P'000	2022 P'000
33 LEASE LIABILITIES		
Balance at the beginning of the year	8,145	7,945
Lease terminations		(5)
New leases during the year	1,934	4,2 54
Interest expense	571	757
Repayments	(4,700)	(4,806)
Balance at the end of the year	5,950	8,145
The weighted average incremental borrowing rate for lease liabilities initially		
recognised as of 1 April 2019 was 8% per annum.		
Non Current	2,359	4,183
Current	3,591	3,962
	5,950	8,145
Maturity analysis		
Year1	4,098	4,261
Year2	1,384	3,271
Year 3	748	736
Year4	409	443
Year 5	34	388
	6,673	9,099
Unearned Interest	(723)	(954)
	5,950	8,145
Amounts recognised in the income statement		
Depreciation expense of right-of-use asset	4,301	4,593
Interest expense on lease liabilities	571	757
	4,872	5,350
34 OTHER FINANCIAL ASSETS AT FAIR VALUE		
Financial assets carried at fair value through profit or loss (FVTPL)		
Balance at the beginning of the year	637,929	438,839
Unrealised fair value gain on the cross currency and interest rate swap	503,662	199,090
Balance at the end of the year	1,141,591	637,929



#### **34 OTHER FINANCIAL ASSETS AT FAIR VALUE**

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 Pie. The swap agreement ends in 2031 and payments are exchanged every six months. 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 (USO) an amount calculated on the hedged amount based on the 6 month USO Libor +1.60%. This amount is received in USO 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.

	Fix	Fixed interest rate		urrency split
	2023	2022	2022 2023	
	<u></u> %	%	%	%
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 pie. 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:

	2023	2022	2023	2022
	USD'000	USD'000	USD'000	USD'000
Notional hedged amount	315,735	361,191	4,121,863	,,
Loan balance (Note 29)	(315,735)	(361,191)	(4,121,863)	
Over hedged amount	(313,733)	(301,131)	(4,121,003)	(4,103,111)

	2023	2022
	P'000	P'000
5 COMMITMENTS		
35.1 Capital commitments		
Authorised but not contracted	63,816	95,621
	63,816	95,621
The Corporation will finance the above expenditure through internal funds and Government funding.		
<b>35.2 Operations and maintenance contract</b> The Corporation entered into a contract for the operations and maintenance of its power station for a period of 4 years.		
Within one year	132,112	106,500
Later than one year but not later than 5 years	528,449	426,000
	660,561	532,500
5 NOTE TO THE STATEMENT OF CASH FLOWS		
Cash generated from operations:		
Loss before tax	(364,563)	(492,775
Interest income	(25,560)	(14,344
Finance cost	281,908	129,278
	(108,215)	(377,841
Adjustments for non-cash items:	006 0 47	75450
Depreciation of property, plant and equipment (Note 12)	886,947	754,587
Depreciation of right-of-use assets (Note 13) Upward revaluation adjustment on substation building assets (Note 12)	4,301	4,593 38,463
Reclassification of maintenance expenses from opening balance	(27,071)	30,403
Movement in investments at amortised cost	296	2,376
Fair value gain on cross currency and interest rate swap (Note 10)	(660,161)	(169,299
Amortisation of deferred income - consumer finance projects (Note 27)	(117,884)	(119,547
Unrealised exchange loss (Note 9.2)	615,001	115,637
Effect of foreign exchange rate changes on cash and cash Equivalents	58,483	8,061
Movement in provisions	40,055	(193,572
Profit on disposal of property, plant and equipment	(271)	(19
	691,481	63,482
Working capital changes:	105.044	(02.04)
Decrease/ (increase) in standard cost recovery - NESC Decrease in consumer loans - NESC	105,844 435	(83,84° 8,686
(Increase)/ decrease in consumer loans - hire purchase scheme	(1,435)	1,450
Decrease/ (increase) in inventories	49,942	(30,538
(Increase) / decrease in trade and other receivables	(61,284)	20,197
Increase in consumer loans - rural collective scheme	1,168	6,648
Increase/ (decrease) in consumer deposits	4,369	(6,953
Decrease in standard cost recovery	(96)	(1,418
Increase in trade and other payable	301,605	903,88
Increase in advances - consumer financed projects	296,165	191,528
	696,714	1,009,640



#### **37 RETIREMENT BENEFITS**

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

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

#### **38 FINANCIAL INSTRUMENTS**

#### 38.1 Capital structure

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Corporation's overall funding strategy remains unchanged during the year ended 31 March 2023.

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

Gearing ratio	2023 P'000	2022 P'000
Debt	13,825,642	13,165,369
Cash and cash equivalents	(444,010)	(304,444)
Net debt	13,381,632	12,860,925
Equity	15,497,282	15,111,307
Net debt to equity ratio(%)	(86%)	(85%)

		2023 P'000	2022 P'000
FINANCIAL INSTRUMENTS			
38.2 Categories of financial instruments			
Financial assets at amortised cost			
Investments at amortised cost	(Note 14)	492,602	414,05
Loans and receivables (including cash and cash ed	quivalent: (Notes 15,16,19, 20,22)	576,891	557,18
		1,069,493	971,24
Financial assets held at fair value through pro	fit or loss (Note 34)	1,141,591	637,92
Financial liabilities at amortised cost	fit or loss (Note 34)	1,141,591 8,747,275	637,92 8,419,81
Financial liabilities at amortised cost  Breakdown		8,747,275	8,419,81
Financial liabilities at amortised cost  Breakdown  Borrowings	(Note 28)	8,747,275 4,147,584	8,419,81 4,134,67
Financial liabilities at amortised cost  Breakdown  Borrowings  Consumer deposits	(Note 28) (Note 29)	8,747,275 4,147,584 84,852	8,419,81 4,134,67 80,48
Financial liabilities at amortised cost  Breakdown  Borrowings  Consumer deposits  Lease Liability	(Note 28) (Note 29) (Note 33)	8,747,275 4,147,584 84,852 5,950	8,419,81 4,134,67 80,48 8,14
Financial liabilities at amortised cost  Breakdown Borrowings Consumer deposits Lease Liability Bank Overdraft	(Note 28) (Note 29) (Note 33) (Note 15)	8,747,275 4,147,584 84,852 5,950 159,345	8,419,81 4,134,67 80,48 8,14 156,80
Financial liabilities at amortised cost  Breakdown  Borrowings  Consumer deposits  Lease Liability  Bank Overdraft  Standard cost recovery	(Note 28) (Note 29) (Note 33) (Note 15) (Note 18)	8,747,275 4,147,584 84,852 5,950 159,345 84,128	8,419,81 4,134,67 80,48 8,14 156,80 84,22
Financial liabilities at amortised cost  Breakdown Borrowings Consumer deposits Lease Liability Bank Overdraft	(Note 28) (Note 29) (Note 33) (Note 15)	8,747,275 4,147,584 84,852 5,950 159,345	8,419,81 4,134,67 80,48 8,14 156,80

#### 38.3 Financial risk management objectives

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

#### 38.4 Market risk

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

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



#### 38.5 Foreign currency risk management

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

		Liabilities		ets
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Denominated in the following currencies:	P'000	P'000	P'000	P'000
United States Dollar	4,121,863	4,109,111	456,399	316,699
South African Rand	113,924	81,211	2,606	388
Euro	25,721	25,564	171	1,155
	4,261,508	4,215,886	459,176	318,242

#### 38.5.1 Foreign currency sensitivity analysis

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

	2023 P'000	2022 P'000
Increase in loss for the year	(19,012)	(19,488)

#### 38.6 Interest rate risk management

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

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

2023	2022
P'000	P'000

#### 38.6.1 Interest rate sensitivity analysis

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

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

Loss for the year would increase by (26,458) (23,786)

#### 38.7 Credit risk management

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

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

Counterparty	Credit Rating	Grade	Rating Agency	2023 P'000	2022 P'000
Vunani Fund Managers	Not applicable	Not applicable	Not applicable	13,368	255
Barclays Bank of London	Baa2	Investment grade	Moodys	21,474	21,770
Access Bank of Botswana	В	Investment grade	Fitch Ratings	1,092	60,000
ABSA Bank of Botswana	BAA2	Investment grade	Fitch Ratings	60,316	56,400
Stanbic Bank Botswana	BA3	Investment grade	Moodys	402,956	322,008
First National Bank Botswana Botswana Investment Fund	BA2	Investment grade	Moodys	-46,029	132
Management	BB	Investment grade	GRC	20,898	507
Standard Chartered Bank	A1	Investment grade	Moodys	36,164	6,945
Bank Gaborone	BBB	Investment grade	GRC	-	15,000
Total				510,239	483,017

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



#### **38 FINANCIAL INSTRUMENTS** [continued]

#### 38.8 Liquidity risk management

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

#### 38.8.1 Liquidity risk and interest tables

The following tables detail the Corpo ration'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.

2023	Up to 1 year P'000	2 to 5 years P'000	more than 5 years P'000	Total P'000
Interest Bearing Non-interest bearing	869,262 4,509,615 <b>5,378,877</b>	3,112,796 84,126 <b>3,196,922</b>	1,309,475 <b>1,309,475</b>	5,291,534 4,593,741 <b>9,885,275</b>
2022				
Interest Bearing Non-interest bearing	634,326 4,196,971 <b>4,831,297</b>	2,461,840 80,016 <b>2,541,856</b>	1,661,094 - <b>1,661,094</b>	4,757,259 4,276,987 <b>9,034,246</b>

#### 38.8.2 Facilities

The Corporation has access to the following unutilised financing and overdraft facilities of P 200 million (2022: P 200 million).

#### 38.9 Fair value measurements

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

#### 38.9.1 Fair value measurements recognised in the statement of financial position

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

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

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

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

### 38 FINANCIAL INSTRUMENTS [continued]

### 38.6.1 Interest rate sensitivity analysis

Financial assets	Fair value as at	Fair value as at	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023	2022				
	P'000	P'000	1			
Cross currency and interest rate swap	Asset - 1,141,591	Asset - 637,929	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 OVA).	The Botswana pula forward currency rate was unobservable after the four year point requiring an unobservable basis spread adjustment to	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
				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 USO 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 OVA 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 USO interest rate scenarios and Geometric Brownian Motion (GBM) processes are used to simulate multiple exchange rate scenarios.	valuation adjustment the following inputs were not directly market observable:  • The default probabilities and loss given default estimates of the Corporation and Standard Bank pie.  • 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.	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 OVA

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



	2023 P'000	2022 P'000
39 CONTINGENT LIABILITIES		
39.1 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 claims are **Nil** (2022: Nil). The Corporation has no further contingent liabilities.

#### 39.2 Claims for delay liquidated damages made under the EPC contract

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

#### **40 RELATED PARTY BALANCES AND TRANSACTIONS**

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

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

#### 40.1 Transactions with Government of Botswana and government related entities

	2023 P'000	2022 P'000
Revenue from government related entities (note 01)	648,777	646,285
Consumer tariff Subsidy (note 07)	600,000	500,000
	1,248,777	1,146,285
<b>40.2 Receivables from government related entities</b> Receivables from government related entities (note 22)	97,284	100,169
	37,204	100,169
40.3 Remuneration of key entity personnel:		
Salaries and other short term employee benefits	15,499	12,455
Terminal benefits	4,667	2,482
Board fees	2,599	1,025
	22,765	15,962

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

#### 41. REMEDIAL WORKS-MORUPULE B POWER STATION

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

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

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 USO 58 million against the Contractor.

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

In terms of section 17 of the Botswana Power Corporation Act (Chapter 74:01), the Corporation is required to conduct its affairs on sound commercial lines and to produce a net operating income by which a reasonable return can be measured. Inclusive of a consumer tariff subsidy provided by the Government of Republic of Botswana amounting to P 600,000,000 (2022: P 500,000,000), the Corporation has achieved an operating loss of P 57,559,000 (2022: Operating loss of P408,540,000). Thus, it has not complied with all the requirements of financial provisions of the Act.

#### **43 GOING CONCERN**

Inclusive of a consumer tariff subsidy of P 600,000,000 (2022: P 500,000,000) provided by the Government of the Republic of Botswana, the Corporation has recorded an operating loss of P 57,559,000 (2022: Operating of loss P 408,540,000) and a loss after tax for the year of P 498,320,000 (2022: Loss of P 650,380,000). As at 31 March 2023, the Corporation has an accumulated loss of P 6,780,246,000 (2022: P 6,281,926,000) and as of that date the Corporation's current liabilities exceed its current assets by P 3,816,831,000 (2022: P 3,435,354,000).

The Ministry of Minerals and Energy recognises that the Corporations' tariffs are yet to reach cost recovery levels, thus the Corporation's financial position continues to detract from its ability to finance its operations on a sustainable basis. Further, it has confirmed (on a non-binding basis) that the Ministry will continue to facilitate and support the Corporation's requests and motivations to Government for cost-efficient tariff as well as, where necessary, support for revenue shortfalls. In pursuit of this commitmen,t the Government of the Republic of Botswana has allocated P 2,075,000,000 towards mitigation for the Corporation's financial shortfall for the financial year 2023/2024. The Government of the Republic of Botswana has historically provided financial support to the Corporation by way of annual tariff subsidies. Such support is expected to continue in future periods, as confirmed through past actions and in writing by the Ministry of Minerals and Energy.

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



The Corporation's operating cash flow forecasts for financial year 2023/24 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 P 400,000,000 consumer tariff subsidy and a P 1,675,000,000 additional funding, expected loan disbursement of P 1,722,000,000 under the approved loan programme by the Ministry for which negotiations are currently underway with various financial institutions and other cash flows which are dependent on the Corporation being able to complete ongoing remediation works and operate its Morupule B Plant at expected capacity. Failure to generate electricity to plan will require the Corporation to import units from regional power suppliers. Such imports have historically been more expensive than internally generated units, placing significant strain on the Corporation's cash flows.

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

#### 44 EVENTS AFTER THE REPORTING PERIOD

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

### **Annual Financial Statements**

For the Year Ended 31 March 2023 —

Notes		

